

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Tuesday September 27 1983

IMF sees spirit
of Bretton
Woods vanish, Page 4

D 8523 B

Austria	Sch. 15	Portugal	Esc. 20
Belgium	Bfr. 36	S. Africa	Rand. 10
Canada	Cdn. 12	Spain	Ptas. 166
Denmark	Dkr. 16	Sweden	Kr. 10
France	FFr. 66	Switzerland	Sfr. 70
Germany	DM. 3	Taiwan	N.T. 36
Greece	Dr. 16	Thailand	Baht. 50
Italy	Lira. 136	USA	Doll. 1
Japan	Yen. 160		
Netherlands	Fl. 10		
Norway	Nkr. 16		
Poland	Zlot. 10		
South Africa	Rand. 10		
Sweden	Kr. 10		
Switzerland	Sfr. 70		
Taiwan	N.T. 36		
Thailand	Baht. 50		
UK	£ 1		
USA	Doll. 1		

No. 29,130

NEWS SUMMARY

GENERAL

Britain to probe IRA jailbreak

The British Government ordered an immediate inquiry into the breakout by 38 Provisional IRA men at the Maze prison, Belfast. It is to be headed by Sir James Hennessey, Chief Inspector of Prisons.

The Rev Ian Paisley, a Northern Ireland MP, said the terms of the inquiry were not broad enough.

Among the 21 still at large, including men convicted for killing, is Gerard Kelly, jailed for life for his part in a London bombing campaign 10 years ago. Background to the escape, Page 11

Australia II wins America's Cup

Australia II triumphed over the defending American yacht Liberty to win the America's Cup, breaking the 132-year defence of the trophy by the U.S.

Using its revolutionary winged keel configuration designed by Mr Ben Lexcen, Australia II exploited errors made by Liberty, which had been leading by almost one minute in the early stages.

Bremen sit-in to end

Workers who have occupied the Weser shipyard, Bremen, for more than a week in protest against its planned closure, decided to end their action.

Rumasa court move

Madrid court declared former Rumasa group president Jose Ruiz Mateos and two associates in contempt for failing to appear on fraud charges. He is believed to be in London and extradition moves may be made, Page 2

Bhutto widow's call

Mrs Nusrat Bhutto, widow of the executed former Premier Zulfikar Ali Bhutto, called on Pakistan's army to oust President Mohammad Zia ul-Haq and set a date for free elections. Democracy and Pakistan, Page 3

Missile protest

About a dozen peace protesters were injured at the Comiso, Sicily, air base which is to house cruise missiles. Police who used tear gas, made four arrests, Page 2

Pravda party plea

Pravda, the Soviet Communist Party newspaper, called for more careful checks on applicants for party membership, pointing out that 14,000 had been rejected or not accepted for full membership in the first six months of this year.

Swiss keep waste

Switzerland has dropped plans to dump nuclear waste in the Atlantic this year because Britain's seamen's union has refused to crew a British ship to dump it. The waste will stay at Swiss power stations and the reactor research institute.

Unita attacks

Unita, the Angola opposition movement, said its guerrillas had killed 137 government troops and 47 Cubans in four days of attacks, and had shot down a MiG aircraft and a helicopter and destroyed 37 army vehicles.

Briefly...

Floods covered Leningrad streets, and cut off Lax, Papua-New Guinea's second city.

Philippines army moved in extra tanks and 1,800 more troops to help control Manila, the capital.

Ex-King Leopold III of Belgium, who abdicated in 1951, died in Brussels, aged 81.

BUSINESS

British current account surplus

BRITAIN'S balance of payments moved back into a modest surplus of £22m (\$33m) in August, following its £19m deficit in July, which followed a £112m surplus in June, Page 18

DOLLAR eased on the larger than expected fall in the U.S. M1 money supply, and reached DM 2.6445 (\$Fr 2.125), FFfr 8.0175 (Sfr 2.15) and Y237.7 (Y239.8). Its Bank of England trade-weighted index fell from Friday's 128 to 127.4. In New York, it closed at DM 2.645, Sfr 2.141, FFfr 8.0175 and Y238.07, Page 37

STERLING rose 20 points to \$1.594, and eased to DM 3.08 (DM 3.0925), FFfr 12.055 (FFfr 12.0725), Sfr 2.225 (Sfr 2.23) and Y237.75 (Y239.8). Its weighting fell from 84.7 to 84.6. In New York it closed at \$1.5935, Page 37

GOLD rose \$2.5 in London to \$415.625. In Frankfurt it closed \$2.5 up at \$413, and in Zurich it rose \$2.625 to \$413. The New York September COMEX settlement price was \$415.10 against \$416.50, Page 36

LONDON: FT Industrial Ordinary index fell 44.4 to 7025. Government securities showed some small gains. Report, FT Share Information Service, Pages 31-33

WALL STREET: Dow Jones index closed 5.18 up at 1,260.77, a new record, Pages 28-30

TOKYO: Nikkei Dow index put on 31.78 at 9,345.78, and the Stock Exchange index was 2.81 up at 690.47. Report, Page 27. Leading prices, other exchanges, Page 30

FRANCE: Britain and West Germany are agreed on bringing the 150-seat Airbus A320, a \$2bn project, into service by 1988, said French Transport Minister Charles Fiterman, Page 2

POLISH Government is to back resumption of work on 452 projects shelved in 1980-81 economies, a decision involving 150bn zlotys (\$1.65bn) spending over the next few years, Page 2

ISRAEL'S foreign debt increased 2.5 per cent in first half 1983 to a record \$21.5bn. Its trade deficit increased by 21 per cent in the first eight months, from 1982, to \$2.45bn, Page 3

FRANCE, leading overseas customer for British coal, is to cut purchases by 400,000 tonnes worth £15.2m (\$22.8m), Page 11

LEAD prices surged ahead in London, reaching their highest since April. Cash lead closed £3.5 up at £291.75 (\$438.79), Page 36

JAPAN is providing Indonesia with \$337m in soft loans for 13 development projects, including two power plants.

COCA-COLA of U.S., which moved into the wine business in 1977, is to sell Wine Spectrum, third largest producer and marketer of wines in the U.S., to the Seagram group for more than \$200m, Page 18

TOTAL CHINE of France has suspended its oil drilling operations in the South China Sea, a joint venture with China, because of high costs and the fall in oil prices, Page 3

MOULINEX, the French kitchen equipment maker, doubled first-half net profits to FFfr 56.1m (\$7m), but restructuring in the U.S. hit its 1982 figures, Page 19

SAATCHI & SAATCHI, highest UK advertising agency, is to offer 4.83m shares, currently worth £25.4m (\$36.1m) on the U.S. market, Page 18

SOCIÉTÉ GÉNÉRALE, Belgium's industrial and financial group, is seeking Bfr 8bn (\$150m), in its first call on the capital markets for eight years, Page 19

New funds call as IMF compromises on lending limits

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN WASHINGTON

The International Monetary Fund yesterday told the leading industrial countries that it might need extra loans of up to \$6bn in 1985-86. This followed a tense agreement early yesterday morning in Washington about increased limits to the maximum assistance which the Fund can provide.

A compromise was reached allowing countries to borrow 102 per cent of their quotas - the funds they commit to the IMF - down from the current 150 per cent, with an access limit of 125 per cent for countries with "serious" problems.

Japan and the main countries of Europe have made clear, however, at the Fund's annual conference here that final agreement on their contribution to a \$8bn loan for next year will depend on the willingness of the U.S. to put up substantial extra credit for Brazil, although the U.S. has pleaded that it would be difficult to get this through Congress.

In a series of meetings in the run-up to the main conference, which starts today, European countries have told Mr Donald Regan, the U.S. Treasury Secretary, that they cannot accept perpetual excuses that his hands are tied by Congress.

They have told him that the U.S. must provide substantially more than the \$1.5bn new credit that

Washington is so far considering for Brazil.

The unexpected agreement on new access limits was forged on the basis of a British compromise. That followed a resolute refusal by the U.S. to accept any formula that might give additional assistance to debtor countries even though their quota subscriptions to the Fund are due to rise by about half in January.

The U.S. position implied that the maximum assistance in one year should be 102 per cent of the increased quota, compared with the 125 per cent of the new quota.

All the other industrial countries argued, however, that continuing debt problems in the Third World demand that the maximum assistance should be raised by about a fifth. They wanted the limit to be 125 per cent of the new quota.

The compromise enables Mr Regan to announce some sort of victory to congressional lobbyists.

This 125 per cent rider effectively gives the IMF's executive board the

authority to increase help to large debtor nations with serious rescheduling crises as well as to some smaller countries in dire straits.

The Fund's executive board still has to work out the criteria for this enlarged assistance which would involve increased help of 500 per cent of quota over a three-year period, compared with the present 450 per cent of a smaller quota.

The IMF's estimate of its future borrowing needs is based on the assumption that these new rules will be continued after 1984, although agreement yesterday was restricted to that year.

It also assumes that Congress will shortly approve the 50 per cent increase in quota subscriptions to the Fund and an extension of the General Arrangements to Borrow, to provide a separate source of

Continued on Page 18

Spirit of Bretton Woods takes flight, Page 4; Editorial comment, Page 16

Ceasefire in Lebanon appears to be holding

BY PATRICK COCKBURN IN BEIRUT

THE CEASEFIRE in Lebanon appeared to be holding last night, ending the three-week war in the mountains to the southeast of Beirut.

To clear the way for a new administration, Mr Chafik Wazzan, the Prime Minister, has resigned, but President Amin Gemayel has asked him to stay on in a caretaker capacity until he sees what emerges from the national reconciliation meeting of Lebanese political leaders which is to take place once the ceasefire is seen to be working.

There is little confidence in Beirut that any conference will be able to bridge the gap between the different factions in Lebanon, but widespread relief that the fighting has ended.

The ceasefire is to be policed by 500 observers from the United Nations, possibly drawing some of their members from the French and Italian contingents to the multinational peacekeeping force in and around the Lebanese capital.

The breakthrough in the negotiations came when it was decided that the Lebanese Government would send a representative to the conference in Jeddah.

The conference's decisions are to be mandatory.

It seems clear that Syria and its Druze allies had decided they were unlikely to extract any more concessions from the Government. The U.S. naval bombardment in defence of Souq al-Gharb, the embattled hilltop town nine miles south-east of Beirut, showed that Washington was not prepared to see President Gemayel overthrown by military force.

Some of Souq al-Gharb's inhabitants came back to see what was left of their houses just after the ceasefire started yesterday morning and seemed pleased to find quite a number of them intact. The streets are still filled with soldiers, resting after the last three weeks fighting. They said there was no shelling but a few snipers were active.

The streets of Beirut were also

much busier, with a return to the capital's notorious traffic jams. But getting back to normality will be delayed by the shortage of electricity and frequent power cuts.

A critical issue likely to emerge at the national reconciliation talks will be the future of the Lebanese-Israeli agreement, drafted in May after prolonged negotiations and the intervention of Mr George Shultz, the U.S. Secretary of State.

Syria wants the agreement completely abrogated and most Lebanese consider that it is now a dead letter.

In Kuwait, Mr Walid Jumblatt, the Lebanese Druze leader, called in an interview for the cancellation of the 1943 national convention defining Lebanon's government structure.

He told the Arabic-language newspaper Al-Rai' Al-Am that a new formula should be drawn up giving no privileges to any community at the expense of another.

BP issue raises £542m as UK institutions bid too low

BY DOMINIC LAWSON IN LONDON

THE BRITISH Government will raise £542.5m (\$814m) net of expenses on its sale by tender of 130m shares of British Petroleum.

The shares were allocated yesterday at a striking price of 435p per share, against a minimum tender price of 405p. The striking price was higher than most estimates by London analysts, and many British institutional investors appear to have pitched their bids too low.

The dealings in the partly-paid shares opened trading yesterday on the London Stock Exchange at 212p, a 12p premium on the £2 payable on application, and rose to 220p before falling back to close at 206p. Existing BP shares closed 2p higher at 430p. The balance on the new shares is due on January 11.

One broker involved in the issue said yesterday: "Several big institutions have not got a single share out of this and they are not best pleased." Even those institutions that were successful were allocated on average only two thirds of their applications.

That was largely because those small investors who applied for not more than 1,000 shares at whatever the striking price turned out to be were allotted their shares in full.

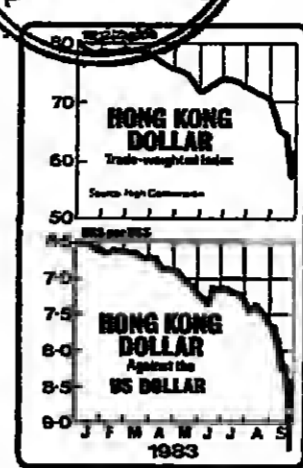
The small investor went for the BP offer far more than for any previous government offering. A total of 72,870 striking-price applications were received for more than 39m shares. That was a much higher figure than expected and means that

more than 30 per cent of the issue is in the hands of small investors, even excluding those who tendered at a specific price.

In total, 171,45m shares were applied for at or above the 435p striking price. The Bank of England has not disclosed the total level of demand, but it is believed that the full number of shares applied for was about 350m, suggesting that £700m closed the issue.

There was little razzamatazz on the floor of the exchange when dealings started, and, in contrast with first-day dealings in previous BP offerings, there was not an oilman's-style hard hat to be seen.

Lex, Page 18; stock market reaction, Page 31



HK\$ up as banks raise prime

By Robert Cottrell in Hong Kong

THE HONG KONG dollar strengthened yesterday amid confusion over government plans to support the local exchange rate. Local banks helped the push for a stronger dollar by raising their prime lending rate 3 percentage points to 16 per cent.

The interest-rate rise, coupled with speculation over the Government's intentions, helped the dollar to close at around HK\$8.40 to the

Mrs Margaret Thatcher, the UK Prime Minister, has selected Sir Percy Cradock, Britain's current ambassador to China, as her new foreign policy adviser, emphasising concern over negotiations on the future of Hong Kong. Details, Page 18; Stock markets, Page 27; Currencies, Page 37; Lex, Page 18.

U.S. after a day of erratic and widely fluctuating trading.

The dollar's surge yesterday recovered Saturday's sharp decline as concern over the future of the territory, mounted. On Saturday, the local currency had slumped from HK\$8.99 to HK\$8.50.

After a weekend of meetings between senior officials, the Government announced on Sunday night that a proposal was being "actively developed" to strengthen the Hong Kong dollar.

The statement said the currency had suffered "unwarranted depreciation," which most analysts attribute largely to political concern over Hong Kong's future.

On its trade-weighted index, the Hong Kong dollar gained 4.8 points yesterday to close at 82 (December 1979 = 100). On Saturday, it fell 5.5

Continued on Page 18

Reagan offers new package on missiles

BY REGINALD DALE, U.S. EDITOR, IN NEW YORK

PRESIDENT Ronald Reagan yesterday formally announced "a package of steps" intended to show U.S. willingness to reach an interim agreement with Moscow in the Geneva negotiations on intermediate-range nuclear missiles in Europe.

In a major speech to the UN, in which he continually stressed his peaceful intentions, Mr Reagan said that the door to an agreement was open. "It is time for the Soviet Union to walk through it," he said.

Mr Reagan put forward what U.S. officials described as three important concessions in the arms talks. These were:

● A commitment not to offset the entire Soviet worldwide intermediate range missile deployment - in Europe and Asia - through U.S. deployments in Europe;

● Acceptance of the "Soviet desire" that nuclear-capable medium-range aircraft be limited as well as missiles;

● An "appropriate" reduction in the number of ballistic Pershing 2 missiles planned for deployment in Europe from the end of this year, alongside cuts in the number of cruise missiles.

Mr Reagan stressed that he was still convinced that the best solution remained his original "zero option" proposal, involving a complete ban on the intermediate range weapons by both sides. The latest proposals

constituted "substantial adjustments" in the U.S. negotiating position to facilitate an interim agreement on the way to that goal, the White House said.

Mr Reagan emphasised that the new American position had been based on full consultations with the U.S.'s NATO allies and Japan and has their full backing. The White House simultaneously released a report from NATO's Special Consultative Group announcing the "strong support" of the allies.

Senior Administration officials said that the U.S. was continuing to explore totals of 50 to 450 warheads for the intermediate range missiles on either side. This would mean "substantial reductions" from the current Soviet total of about 1,200 warheads overall in both Europe and Asia, they said.

As an example, they said, if the Soviet Union agreed to a worldwide total of 300 warheads, the U.S. might deploy, say, 200 in Europe, while reserving the right to position the extra 100 "somewhere else".

In fact, however, the U.S. has never considered deploying the missiles anywhere other than in Europe, and Soviet negotiators in Geneva have already dismissed the latest U.S. offer as a false concession.

Moscow has said that the Asian missiles are irrelevant to the balance in Europe.

U.S. to delay new spending cut plans

BY ANATOLE KALETSKY IN WASHINGTON

THE REAGAN Administration has "put on temporary hold," until after next year's presidential election, all further plans for major public spending cuts, tax reforms and controversial deregulation initiatives.

The Office of Management and Budget has been told not to press for spending cuts in next year's budget beyond proposals already contained in the budget presented to Congress this year, according to White House officials who have just begun preparing the first draft of the new budget.

The Task Force on Regulatory Relief, which was set up by President Ronald Reagan to coordinate the abolition of regulations covering many parts of the U.S. economy, has meanwhile gone into long-term recess. The President's lobby-

ists on Capitol Hill have also put in to abeyance their attempts to push revisions of trucking laws and the Clean Air Act through Congress.

The marked change of emphasis in the Administration's legislative priorities will emerge in the 1983 budget, which President Reagan will submit to Congress in January (the 1983 fiscal year begins in October 1984).

This budget is unlikely to propose any significant new actions to curb federal deficits, since President Reagan is determined to maintain his defence build-up and the White House political staff believe it is essential to avoid any social spending

Continued on Page 18

Fifty years of legislation threatened, Page 4

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EUROPEAN NEWS

Soviet fast footwork paid off in pipeline talks

BY LESLIE COLTIN IN BERLIN

THE SOVIET UNION reaped considerable advantages from Western companies in the negotiations for the recently completed Siberian natural gas pipeline by skilfully playing one against the other, according to a leading participant. Herr Axel Lebahn, until recently head of the Deutsche Bank's representative office in Moscow, also said that French and Italian taxpayers ultimately footed the bill to subsidise low rates of interest offered by French and Italian banks.

Herr Lebahn has given an insider's account of the negotiations in the current issue of the West German foreign affairs

publication, *Aussenpolitik*.

He said that Moscow's negotiating teams which dealt with Western exporters, banks and gas importers remained the same throughout. As a rule they first visited the West German partner then made the rounds of interested parties in Italy, France, and other European countries and Japan. In this way, he noted, the negotiations were conducted "in series and step-by-step" with the competing countries and companies.

This enabled a Soviet delegation to present the lowest Western bid for any part of a contract almost simultaneously

to all Western competitors "as the most the Soviet Union could possibly consider," Herr Lebahn explained.

As the talks progressed, he said, Moscow "skilfully played the various countries off against each other", while at a later stage of negotiating it even succeeded in winning the best terms from a growing number of competitors in each Western country.

"As the lowest bid for any part of a contract was automatically relayed to Western competitors they successfully underbid each other," Herr Lebahn said.

He added that, according to Soviet officials, Western ex-

porters over the years of negotiations were forced to cut their originally quoted prices "by up to 60 per cent."

Herr Lebahn said Moscow succeeded, in the case of Western export financing for the Urengoi gas pipeline, to make the cheapest credit terms bidding for all bidders. The most favourable terms, he said, were offered by France which agreed to provide credit for all French exports at an interest rate of not more than 7.5 per cent.

"As a result, the Russians demanded this rate from all other foreign banks and were granted it by all parties," he said. The Soviet Union, he claimed,

succeeded in having more than half the cost of French and Italian exports and credit facilities for the pipeline "paid by taxpayers" in the two countries. This made the overall cost to Moscow "extraordinarily low."

West German banks, which did not receive such government aid, had to insist that West German exporters pay the difference between the terms negotiated and the actual cost of refinancing. He said this meant they often had to insist on such high prices that West German companies, which were favoured to gain the lion's share of the business, obtained only a fraction of the \$400 in contracts for the pipeline.

New Airbus will be in service by 1988, says France

BY DAVID MARSH IN PARIS

THE FRENCH Transport Minister, M Charles Fiterman, said yesterday that France, West Germany and Britain were agreed on bringing into service by 1988 the planned new European airliner, the 150-seater Airbus A-320.

Although no formal decision on launching the project has yet been made, he told a news conference that the period up to the end of the year should be "decisive" in giving the

ling date. During yesterday's news conference in which M Fiterman spelled out the main themes of the Transport Ministry's 1984 budgetary plans, it was revealed that France is allocating FF400m (\$33m) in spending authorisations next year to back the A-320 project.

Budgetary sums are normally advanced by governments for Airbus research development and production to be paid back later by Airbus Industrie out of the proceeds from aircraft sales.

The consortium had already started to repay grants previously made to support the first generation A-300 class of airliners, M Fiterman said.

He also used the occasion to support proposals for a trans-European high-speed train and to defend the productivity record of the French national railways SNCF.

SNCF has just been given the go-ahead for work to start next year on a high-speed rail link between Paris and the Atlantic coast to supplement the highly successful existing service to Lyons.

European railway equipment makers for some time have been discussing ideas for high speed train links modelled on French technology, between Paris, Lille, Brussels, Cologne and possibly Amsterdam and, later still, London.

Brazil frees key P-2 man sought by Italy

By Rupert Cornwell in Rome

THE EFFORTS of the Italian authorities to unravel the scandals of the P-2 Freemasons lodge and Banco Ambrosiano appear to have received a severe setback with the release in Brazil, after only a few hours detention, of Sig Umberto Ortolani. He was a key figure in the new outlawed clandestine lodge.

Sig Ortolani is widely held here to be at least as important in the structure of the P-2 as Sig Ugo La Malfa, the lodge's grandmaster, who escaped from prison in Geneva on August 10, barely a week before he was due to be extradited to Italy in connection with the Ambrosiano affair.

Like Sig Gelli, he was being sought by Interpol after magistrates in Milan issued an international warrant against him last June on charges of involvement in the fraudulent bank

rupty in Ambrosiano. The bank collapsed in summer 1982 with debts of around \$1.3bn.

After months of patient search, the Italian police finally traced Sig Ortolani to Sao Paulo. On Sunday, he was arrested by the Brazilian federal police and interrogated for several hours.

He is understood to be extradited with his wife, when he was released on the grounds that he was a Brazilian citizen of some 20 years' standing and faced no criminal charges in that country.

It is understood that Sig Ortolani, who has extensive banking, property and publishing interests in Latin America, carries not only passports of Brazil and his native Italy, but also a Paraguayan one.

Sig Ortolani is generally credited here with influential contacts inside the Vatican, as alleged to have played a central role in the complicated dealings between Rizzoli, Italy's largest publishing group, and Ambrosiano, whose former chairman, Sig Roberto Calvi, was found hanged in London on June 18 1982.

Among the dealings now being probed by Milan magistrates is the mysterious transfer of \$143m—still unrecovered—by the Italian-American subsidiaries of Banco Ambrosiano in April 1981. This was at about the time that La Centrale, the financial subsidiary of Ambrosiano, announced it was taking a 40 per cent stake in Rizzoli, thus making public the control issue made the basis behind the scenes at Rizzoli by Ambrosiano and the P-2.

Police charge peace protest at cruise base

By James Buxton in Rome

ABOUT A dozen peace protestors were injured yesterday when Italian police charged a demonstration at the gates of the Comiso air force station in Sicily where a cruise missile base is being built.

In the most serious incident at the site so far, police used tear gas and made four charges to clear the gates of the base, in order to allow construction workers and U.S. Air Force personnel to enter.

Among those hurt was a female member of Parliament from the Left-wing Democratic Party for Proletarian Unity, who suffered bruises.

The demonstrators came from a peace camp with about 1,000 participants from all over Europe which has been established inside the base, near Ragusa in south-east Sicily. The protestors plan further demonstrations before the camp is disbanded next week.

Police first used water cannon, then tried to remove the demonstrators bodily, before resorting to baton charges and the use of tear gas.

Sig Bettino Craxi, the Italian Prime Minister, said in Bonn last Friday that Italy would go ahead with installing 112 cruise missiles at Comiso from the end of this year, unless there was a significant new development in the Geneva talks.

Italy has the weakest protest movement in Europe against the new Nato nuclear missiles.

West German local polls confound forecasts

BY JONATHAN CARR IN BONN

WEST GERMAN voters confounded the prophets and baffled the analysts in Sunday's regional elections—the first since the general election in March.

In the city state of Bremen the pundits had predicted that the ruling Social Democrat Party (SPD) would take a hard knock. The city has more than its fair share of problem industries like steel, shipbuilding and fishing. It has an unemployment rate of nearly 14 per cent and one of the highest per capita debt levels in the country.

What happens? The SPD is swept back to power with 51.4 per cent of the vote, its best result in a Bremen parliamentary election for 12 years.

In the state of Hesse one thing was felt by the experts to

be certain. If the liberal Free Democrats (FDP) could struggle over the minimum 5 per cent over the minimum 5 per cent seats, then a centre-right coalition with the Christian Democrats (CDU) would emerge.

Wrong again. The FDP surpassed even its own fondest hopes, jumping from the 3.1 per cent it gained in last September's election to 7.6 per cent this time.

The CDU's support, however, plunged so sharply (from 45.6 per cent to 39.4 per cent) that the two parties still do not have a majority of Hesse parliamentary seats. The SPD picked up more votes than before (46.3 per cent against 42.9 per cent) but it has no majority either.

Nor does it have an obvious coalition partner. That implies that the SPD will continue to

provide a minority government as it has for the past year.

The results are seen by some analysts to show growing voter distaste for Chancellor Helmut Kohl's centre-right Government in Bonn, because of its firm support for Nato's nuclear missile policy.

No doubt both elements helped the SPD a bit in both Bremen and Hesse. But while Herr Kohl's CDU plummeted in Hesse, it scored its second best ever result in Bremen (33.3 per cent against 31.9 per cent in 1979). On the other hand, the FDP which did as well in Hesse as it did in Bremen.

The probable answer is that, while national issues like unemployment and nuclear missiles played a big role in the campaigns, local factors proved de-

cisive on polling day.

The SPD mayor of Bremen, Herr Hans Koschnick, is a local man born and bred who has held office for 16 years. Jobless demonstrators shouted angrily at him during public meetings before the election, but many voted for him all the same. They evidently feel they are the victim of wider problems for which Herr Koschnick is not really to blame, and which no one else available stands a better chance of solving.

In Hesse, the widely-popular CDU leader, Herr Walter Weilmann, made a tactical error in the campaign. He said repeatedly that he felt a vote for the FDP was as good as a vote for him. A lot of potential CDU supporters took him at his word and gave their votes to the liberals, expecting a centre-right coalition to emerge anyway.

Finns plan to borrow FM 10.69bn

By Lance Keyworth in Helsinki

FINLAND WILL need to raise FM 10.69bn (\$12.4bn) in new long-term loans in order to balance next year's FM 44.48bn (\$54.4bn) budget. This borrowing is usually split between roughly equally between domestic and foreign sources.

The budget total is 14 per cent above this year's. Mr Kalevi Sorsa, the Prime Minister, and Mr Ahti Pekkala, the Finance Minister, both stressed that it depended on nominal wage increases of at the most 8 per cent for the period beginning next April when the present labour contracts run out.

The same plea was made last year, but earnings have risen by about 10 per cent. Since an inflation rate of 8 per cent is forecast next year this would mean no real growth in incomes. The unions have already made clear they will not accept this.

They feel that, inflation excluded, the economy has been performing remarkably well by OECD standards. Revised figures issued recently indicate a 2.5 per cent growth of total output in 1982 and 1983, and 3 per cent is predicted for 1984. Even unemployment is expected to fall below 6 per cent.

There is concern about the growing state debt. It will rise next year to FM 42.5bn, 14.6 per cent of GDP. Debt management costs will also begin to exceed the public sector borrowing requirement in 1984.

The budget adds some FM 700m to industry's direct costs in the form of social security charges, higher energy taxes and the introduction of turnover tax on telecommunications bills.

Sweden's GDP rises 10% in volume

By David Brown in Stockholm

SWEDEN'S gross domestic product increased in volume by 1 per cent in the first half of the year compared with the same period a year earlier, Statistics Sweden reported yesterday.

The increased activity was attributed exclusively to export market developments. Exports of goods and services grew by 9.7 per cent during the period.

At the same time, private consumption declined "more than expected," by 2.5 per cent. Industrial production dropped by 10.5 per cent, with extensive over-capacity problems. Real wages were down by 3 per cent.

The budget adds some FM 700m to industry's direct costs in the form of social security charges, higher energy taxes and the introduction of turnover tax on telecommunications bills.

Hungarian attack

The Hungarian dissident, Mr Gabor Demszky, co-publisher of an underground magazine critical of the Communist Government, is reportedly in hospital as a result of a severe police beating. Four policemen dragged him out of his car, threw him to the ground and beat him with rubber truncheons, dissidents claimed.

Election protest

About 2,000 protested in Almere near Amsterdam against the election of two members of the Dutch neo-Fascist Centrum Party to the local council, Simon Geschwindt reports from Utrecht.

E. Berlin currency move

BY JAMES BUCHAN IN BONN

THE BONN Government expects East Germany to announce today its first concrete response to West German financial assistance granted during the summer.

However, the centre-right coalition Government confirmed yesterday that it was expecting nothing more dramatic from East Berlin than the exclusion of children from East German

Ruiz Mateos is declared in contempt of court

BY DAVID WHITE IN MADRID

THE CHAIRMAN of Spain's Rumasa holding empire until its expropriation by the Government last February, found himself in still deeper legal water in his home country yesterday.

Sr Jose Maria Ruiz-Mateos and two former senior colleagues were declared in contempt of court for failing to testify in reply to charges against them.

The Spanish authorities may now initiate extradition proceedings against Sr Ruiz-Mateos, who has been staying in London, despite the absence of a standard extradition agreement between the two countries.

The move, announced by Judge Luis Larga, who is in charge of the case, follows detention orders sent out in

July and the failure of the three men to appear within a 10-day deadline set last month. One of the three, Sr Carlos Quintas, had been granted bail of Ptas 10m (\$43,600).

All were ordered to pay enormous deposits—Ptas 100bn (\$436m) in the case of Sr Ruiz-Mateos and the other executives, Sr Jose Diaz Hidalgo—to cover "financial responsibilities" arising out of the alleged irregularities at Rumasa.

At the beginning of this month, the court began moves to confiscate properties in Sr Ruiz-Mateos's personal possession in Spain, in lieu of the deposit money.

Rules on exchanging hard currency. Since 1980, visitors have had to change DM 7.50 (\$1.96) per child per day and DM 25 per adult.

The East German move will be in response to the Bonn Government's guarantee for a DM 1bn loan to East Berlin in June. But West German spokesmen made clear the gesture was seen as inadequate.

Norway increases oil and gas estimates

BY FAY GJESTER IN OSLO

NORWAY HAS raised by nearly 50 per cent its estimate of proven recoverable oil and gas reserves on its southern continental shelf, following very encouraging results from several wells drilled during the summer.

The new figure is 3.5bn tonnes of oil equivalent (toe)—1.2bn toe up on earlier estimates. It comprises 60 per cent gas and 40 per cent oil, and corresponds to 76 years' output at the current rate of about 50m toe a year. Particularly high flows were obtained from wells on the giant Troll gas field, confirming

earlier assumptions about the field's size. Total recoverable reserves on the shelf south of the 62nd parallel—including those regarded as likely, but not proven—are now estimated at around 5bn toe, compared with 4.7bn toe previously.

The shelf north of the parallel—some 15 times as large as the southern shelf—is also believed to contain extensive oil and gas reserves. But the Norwegian Oil Directorate has not yet published estimates for this section of the shelf, only a few small parts of which have so far been explored.

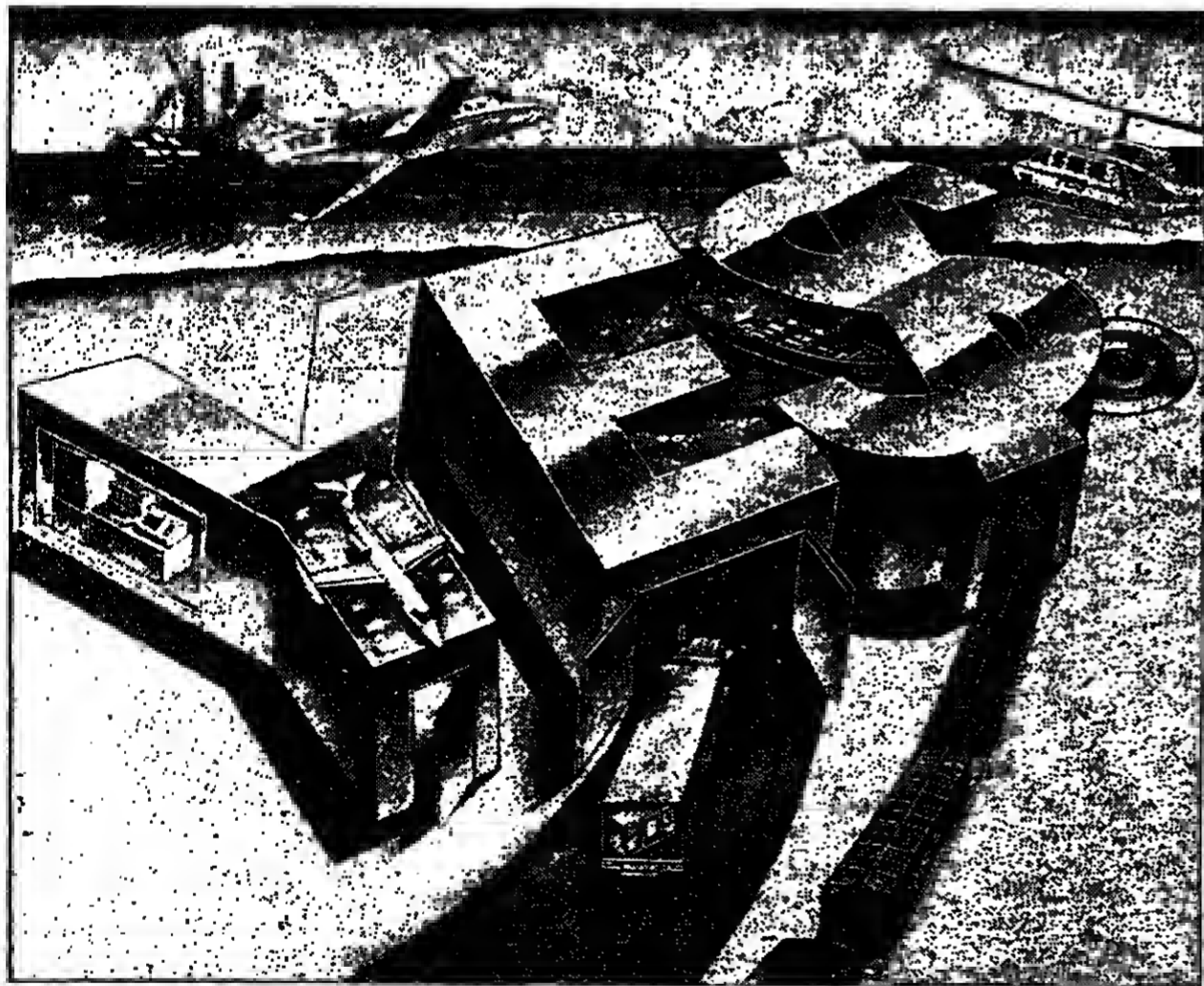
Meanwhile, the Directorate awards will aim at locating new oil fields, since Norway already has more gas than oil discoveries ripe for development. Moreover, it appears—at least in the short-term—that it will be more difficult to get good prices for gas than for oil.

A Directorate spokesman said that the 40 new blocks (licence areas) being offered in the current eighth licensing round had been chosen with this in mind. Oil company applications for eighth round licences are due on October 15.

● The Norwegian state oil corporation Statoil is to increase the price of its crude from the Statfjord field by up to 50 U.S. cents per barrel from October 1, a corporation spokesman said. Reuter reports from Stavanger.

The move will raise the price of Statfjord crude to an average \$29.30 a barrel.

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OVERSEAS NEWS

Israeli ministers split over burden of U.S. loans

BY DAVID LEMMON IN TEL AVIV

A ROW is developing in the Israeli Treasury and Defence Ministry over the division of U.S. aid which this year will exceed \$2.6bn (£1.7bn).

The burden of repaying the accumulated repayable portion of the aid is expected to approach \$1bn next year, if the grant portion of the total is increased.

The Defence Ministry is concerned that this might mean a cut in the military aid element of the package while the economic aid portion is increased. This will mean that less money is directly available to the Defence Ministry.

The U.S. aid package to Israel for 1983-84 is comprised of \$1.7bn in military assistance, of which about half is a grant, and the rest loans, and \$910m in economic aid which is wholly a grant.

Teams of officials from the Israeli Treasury and Defence Ministry are already in Washington for discussions with U.S. officials on the aid for 1984-85. The treasury officials are concerned that the U.S. may seek to cut \$200m from next year's allocation, in order to bring home to Israel the need to curtail the prodigious spending of the government.

Mr George Shultz, the U.S. Secretary of State, has been among the sharpest Administration critics of Israel's economic policies. He is

China oil drilling suspended by Total

By Colina MacDougall and Anthony Robinson in Zhanjiang

TOTAL CHINE, the French operating company in the first offshore joint venture with China's National Offshore Oil Corporation (CNOOC) has suspended drilling operations in the South China Sea. Its drilling personnel and their families are preparing to leave China.

The French company moved its rig out over a month ago after completing 14 wells of which four struck oil. Both Total and CNOOC are separately evaluating the drilling results. Total is understood to be concerned at the high cost of the operation particularly following the fall in world oil prices since the contract was signed in 1980. This has raised doubts about the commercial viability of developing the volume of oil found so far. Total is believed to be seeking a renegotiation of the terms of its contract.

However, Mr Zhu Xiang, deputy managing director of Nanhai West Oil Corporation, the CNOOC operating company based in Zhanjiang, the main supply port for the area, told the Financial Times: "In my opinion nothing will be changed in this contract."

For Pakistan, 'democracy may not be the solution'

BY ALAIN CASS, ASIA EDITOR

THE FIRST PHASE of the campaign to topple President Zia ul-Haq of Pakistan may be over. The next phase may prove less spectacular than the past month but, in the longer run, much more dangerous.

Although street protests and civil disobedience, in which people offer themselves for arrest and flogging in the Ghandian manner, continue the signs are that these weapons may have been blunted by the regime's firm response.

The country's motley collection of opposition leaders must now decide whether to continue with the present course or adopt new tactics in which sabotage and the ever-present threat of secession in Pakistan's smaller provinces are used to pressure General Zia out of power.

So far between 40 and 60 people have been killed in clashes with the police, depending on whose figures you believe, and several thousand protesters, including all of Pakistan's top politicians, are under arrest.

The campaign has been

largely confined to the southern provinces of Sindh. It is now beginning to look as if getting the other three provinces to rise in revolt is proving more difficult than was envisaged.

Nationalist sentiment, however, as opposed to demands for a return to democracy — is coming increasingly to the fore. There are also signs of more acts of sabotage, such as the recent attack on the Khyber Mail train.

The scope for exploiting nationalist sentiment in the provinces of Sindh, Baluchistan and the North West Frontier is considerable. Carved out of India in 1947, Pakistan is a patchwork of four very different provinces where racial and regional aspirations are, arguably, still the most potent forces.

The history of Pakistan has been marked by a constant and frequently violent struggle for power between the three smaller provinces and the Punjab, which is not only the largest and most populous but also dominates the army and the bureaucracy in Islamabad.

Few people in the Punjab, therefore, would have an interest in upsetting the status quo. The same is not true of Baluchistan, Pakistan's vast and arid province where tribal leaders regard self-determination as far more important than the alien concept of parliamentary democracy.

"Democracy is no solution to the problem of the minorities in Pakistan," explained Mr Aurallah Mengel, one of the three most influential Baluchi leaders who now lives in self-imposed exile in London. "The problem lies, for us, with the domination by the Punjab of the three other provinces. When that becomes the issue you can expect the Baluchis to rise."

The same is true probably of the wild North West Frontier province, which borders Afghanistan and which has been flooded with refugees from those opposition leaders still at liberty are beginning to turn to the more potent forces of secessionism.

Mr Mustafa Qar, a leading figure in the banned Pakistan



People's Party and once regarded as the heir apparent to the late Prime Minister Zulfikar Ali Bhutto, hinted at this in London recently.

"The choice which now faces the army," he said in an interview, "is between acceding to the demands for greater participation in running the country or facing sabotage, armed revolt and secessionism. The Punjab has become a thorn. Its domination of the rest of the country is deeply resented. This, along with the brutality of the army, against ordinary people has started a process of disintegration."

Behind the rhetoric there is a chilling message for President Zia, whose skill in using foreign aid and the threat of the Soviet presence in Afghanistan has helped him keep the country's dissident forces under control and stay in power.

President Zia appears to be riding the storm. But if the limited cry for democracy in Pakistan is replaced by shriller calls for secession in the Sindh, Baluchistan and the Frontier, President Zia may find to his cost that the U.S., his own supporters within the country, and his fellow generals will conclude that the integrity of Pakistan is more important than the fate of one man.

Leakey's voters dress up for the trip to the polls

RESIDENTS of the sprawling, tumbledown Nairobi constituency of Langata went to the polls yesterday along with millions of fellow Kenyans, in an atmosphere akin to a country fair. Michael Holman writes from Nairobi.

Men and women had taken a day off work—many Nairobi businesses closed for polling—and, dressed in their finest, paraded along the dusty and potholed lanes of Kibera suburb.

Despite isolated incidents around the country, yesterday's voting in the 153 constituencies being contested (five candidates were returned unopposed) went smoothly, and first results were expected late last night.

In Langata, roadside vendors of roasted maize cobs and soft drinks did a brisk trade with passersby, cobbles fixed above, and charcoal was sold by the bundle. These are the sore of jobs Langata residents find for themselves, in a precarious existence between the salaried jobs found in the city and stark unemployment.

But in one respect Langata is special. The sitting MP, contesting the seat once more, is a white Kenyan, Mr Philip Leakey, who won it in 1979 with a 2,000 majority.

If election posters are anything to go by, he is home and dry. The constituency seems plastered with them, providing the incongruous spectacle for Africa of a white politician's face on a shanty hut.

Mr Leakey, a fluent Swahili speaker, is renowned for his entertaining campaign speeches with a sometimes earthy style which appeals to the crowds. His election symbol is a key and residents greeted visitors yesterday with a wrist-turning gesture of a key in a lock, or wagging an index finger in the air, declaring "Leakey jnn" (up with Leakey) and beaming broadly.

The outcome will probably be close: his leading challenger is Mr Acheng Onoko,

a former minister, who is expected to draw strong support from the Luo tribe in a mixed constituency which includes Kikuyu and Luhya.

At the polling booths, the Leakey officials—easily identified by their emblazoned tee-shirts—were reasonably confident. "I think we'll make it," said one, his English complexion turning pink as the day advanced, "but I cannot be too sure—I don't speak Swahili."

Mubarak to press U.S. for greater volume of aid

BY CHARLES RICHARDS IN CAIRO

PRESIDENT Hosni Mubarak of Egypt will press during his current trip to the U.S. for more economic and military assistance from the U.S. and greater flexibility in the way it is used.

He will also address the opening session of the United Nations general assembly when he will stress Egypt's support for world peace. He will take the opportunity,

according to Cairo Press reports, to meet other non-aligned leaders, notably Mrs Indira Gandhi, Prime Minister of India.

President Mubarak's week long visit to the U.S. is his third since he took office two years ago. He will urge President Ronald Reagan and other politicians to give the U.S. a more prominent role in the Middle East.

The long standing bone of contention over aid to Egypt's desire for parity with Israel in the amount received and its terms.

In fiscal 1983 Egypt received \$1.36bn (£910m) in military assistance of which \$900m was a long-term loan at commercial interest rates, and the rest a grant. Egypt would like more to be a grant.

Under the military aid programme Egypt has received M-60 tanks, and F-16 fighters and armed personnel carriers. In August Egypt signed a letter of agreement with Grumman for two E2-C Hawkeye early warning aircraft, the first of four it is hoping to buy.

On economic assistance, one of Mr Mubarak's ministers is expected to ratify an agreement passed by Congress on July 29 to release about \$100m of aid left over from projects that have been completed or are on hold. Egypt has been pressing for this kind of greater flexibility to try to clear some of the \$2.6bn of aid money that remains undistributed out of a total of more than \$8bn allocated.

Progress on this issue will be hailed in Cairo as establishing a precedent in the way aid money can be reallocated to projects for which it was not originally earmarked.

We are optimistic about future oil prices. We believe they will rise again soon and so we consider that the terms and conditions of the Total contract are still reasonable," he added.

Total was the first to sign a contract for exploration in the South China Sea and did so on the basis of a "shared risk" contract with CNOOC. Subsequent deals were signed by BP, Shell and other oil majors on an all-risk basis. This makes the companies responsible for well exploration costs, while CNOOC retains the right of participating at the development stage.

Paul Betts adds from Paris: Total emphasised it was in no way abandoning its operations in China and indeed had acquired a new interest last month in the Pearl River prospect operated by Occidental Petroleum of the U.S.

Total is conducting studies on the South China Sea drilling which identified five oil-bearing structures. At this stage, however, the oil resources discovered to date appear to be high cost oil.

Total buys LNG, Page 5

U.S. assures Peking over high technology

Mr Caspar Weinberger, the U.S. Defence Secretary, has told Chinese officials that most of the military-related technology China is seeking from the U.S. can be approved under guidelines reclassifying China as a "friendly" and "non-aligned" nation, AP reports from Peking.

A U.S. official told reporters that the U.S. could not approve 32 more civilian high technology products with possible military use and 11 more could be approved with further study.

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State Department trade chief quits in row over CoCom

BY STEWART FLEMING IN WASHINGTON

A DISPUTE between the U.S. State Department and Defence Department over the role of CoCom, the Paris-based export controls agency, has led to the resignation of Mr William Root, Director of the State Department's Office of East-West Trade.

Mr Root said yesterday that because of the Defence Department's stance on negotiation about controls on computer-controlled telecommunications switching equipment, he could see no way of reaching agreement with the allies of the U.S. on controlling exports of such equipment to the Soviet bloc, within the CoCom framework.

He had no doubt of the need to tighten up and revise definitions which CoCom uses in framing controls on such equipment. Current definitions, framed in the early 1970s, are lagging behind developments in a fast-moving technology, he suggested.

According to Mr Root, the Defence Department has been dragging its feet ahead of a planned CoCom meeting on October 17.

On September 14, a day before the U.S. was due to send its proposals to its CoCom partners, the Defence Department told the State Department that in its view the CoCom committee was not an adequate

forum to negotiate the item, he claimed.

It had suggested, Mr Root went on, that the negotiations take place at a more senior level and that the U.S. should stick to its initial proposals, a position which Mr Root felt would limit the U.S. in its ability to gather support for its position.

Mr Root said yesterday: "I concluded that progress (in CoCom talks) was impossible," adding that in his view the Defence Department is seeking a separate military committee within CoCom.

A change in the Export Administration Act to limit the influence of the Defence Department on CoCom issues was desirable, he said.

The Act does give the Secretary of State the right to conduct negotiations in this area but requires the President to report to Congress if he overrules the Defence Department.

The gives the Defence Department too strong a position in relation to the other branches of Government, he maintained.

The Washington Post quoted Mr Richard Perle, Assistant Secretary of Defence for international security policy, as denying that the U.S. opposed working with its allies on co-ordinated export controls.

Thatcher says Nato must deploy missiles

OTTAWA — Mrs Margaret Thatcher, the UK Prime Minister, said yesterday that the Nato Alliance does not want to deploy cruise and Pershing-2 missiles, but must go ahead unless the Soviet Union dismantles all its medium range SS-20 missiles, AP reports.

Mrs Thatcher, in Ottawa to meet Mr Pierre Trudeau, her Canadian counterpart, said on television that the Soviet Union had "upped the ante" by installing modern new missiles targeted on Western Europe.

"We would like to spend less on armaments," she said. "We don't want to deploy the cruise and Pershing, but we have to unless the SS-20s are taken down, because the whole of our peace depends on Nato being a deterrent to the Soviet Union."

Mrs Thatcher said the Soviet downing of the Korean passenger aircraft — as well as what she called repression in Afghanistan, Poland, Czechoslovakia and Hungary over the years — are "all really indicative of a country which just does not have the same attitude towards the importance of the individual as we do."

Mrs Thatcher yesterday began a North American tour taking her to Washington and the United Nations.

Canadian officials said Mr Trudeau and Mrs Thatcher would probably "compare notes" on the anti-cruise missile protests which each is facing in Britain against plans to begin deployment of the U.S. missiles this year, in Canada against an agreement to test the cruise delivery system in Northern Alberta.

Later, speaking to the Canadian Parliament, Mrs Thatcher called for a new "freedom offensive" in one of her strongest attacks yet on the Soviet system.

"The Western Democracies are not short of ideals. We have values and a way of life which are the envy of those who have never known them."

"I wonder whether we take them too much for granted. For the preservation of freedom and justice needs constant unrelenting efforts."

"There is a battle of ideas to be won, a battle in which we are better equipped than our adversaries for our ideas are better."

Max Wilkinson reports on a worldly struggle over money in Washington.

Mean-spirited twilight for IMF gods

The IMF's Washington cycle of jovial parties and acrimonious meetings this week was given a fitting accompaniment by the Public Broadcasting Service television network. It played "Twilight of the Gods" in controversial modern dress through the whole of the first evening.

The Wagner opera, complete with subliminal messages flashed among the subtitles, perfectly symbolised the decline of the generous spirit of internationalism that had prevailed since the foundation of the IMF and the World Bank at Bretton Woods in the last throes of World War II.

The heroic efforts of Keynes and his fellows to avert a devastated world to rights were this week replaced by the all-too-immortal struggle of a U.S. Administration desperate to appease right-wing and penny-pinching lobbies in Congress.

All other nations rich and poor were drawn into the drama of whether Congress will approve the \$8.4bn quota increase which the U.S. is still not authorised to pay. Not exactly a Nibelung heard but just as vital to the

fond in securing its power and influence in a debt-ridden world.

It was the efforts of Mr Donald Regan, the U.S. Treasury Secretary, to appear tough enough to make Congress feel mean that kept delegates waiting half an hour for the nearest thing to Valhalla which the banking world offers.

This is the lavish party for more than 2,000 delegates, aides and the hangers-on of hangers-on, held in the cavernous recess of the Sheraton Hotel.

However, Mr Regan took so long lecturing the Fund's interim committee on the subject of raising gold out of Congress that hordes of bankers were kept penned into an antechamber for about half an hour.

There, they held a sort of impromptu party without sustenance, able only to glance past the security men onto a long prospect of islands and bays, decked with every form of nectar.

Just like the underdeveloped countries queuing for aid in Washington, commented one black delegate. This official knees-up,

attended by the tallest giants in the financial world—from Mr Paul Volker, chairman of the Federal Reserve Board, downwards—was matched by private enterprise all over the city.

One big U.S. bank, for example, found a villa it liked in the exclusive Kalamazoo district, sent the owners to Italy for a week with \$18,000 tucked into their wallets, and erected a marquee in the garden.

But even the most influential actors could not entirely bestir the world, with colossal dignity. Mr Nigel Lawson, Britain's Chancellor of the Exchequer, who has been leading the industrial countries' attack on U.S. fiscal improvisation, was greeted at Miami airport as "Chancellor of the Excesses."

Sir Terence Burns, the UK Treasury's chief economic adviser, was stopped by a man at Heathrow who asked: "Will you be seeing a Mr Leigh-Pemberton?"

This was not the time for a Treasury knight to deny knowledge of the Governor of the Bank of England, so the hapless Sir Terence was put in charge of a large number



of suitcases which the Bank inadvertently left on the tarmac.

In spite of these alarms outside the main theatre, the British delegation once again proved to be maestros of the runes which enabled heated argument to be magicked into cancanes of perfect accord.

One talker proved to be "horizontal facing down," which in the language of Middle Earth, means giving poor debtor countries less

help in future. But the loudest curia call of this drama will probably go to the "Little Comromise" named after the Treasury's top international adviser and draftsman.

This formula was finally accepted at a Wagnerian hour between midnight and dawn yesterday. It followed fierce disagreement about the new limit for assistance to be provided by the Fund.

Most industrial countries wanted this to be 125 per cent of quota subscriptions, but Mr Reagan was forced to pretend to Congress that he had beaten them down to 102 per cent.

The genius of the Little Comromise, surely in direct descent from Lewis Carroll, was to invite the nations of the world to agree both figures at once.

This they did, leaving it excellently obscure as to which countries could get 102 per cent and which 125 per cent.

This by no means milder detail will be left to the fund's executive board to decide, at a later date, when Congress has cooled down a bit and the audience of pressmen is a good deal smaller.

U.S. Steel's hopes fade on links with BSC

BY TERRY DOODSWORTH IN NEW YORK

U.S. STEEL Corporation's hopes of clinching a deal to link its steel finishing facilities at Fairless, near Philadelphia, with slabs produced by British Steel, are steadily diminishing.

According to Mr Thomas Graham, vice-chairman of U.S. Steel, the corporation now believes that its chance of an agreement to import the BSC slabs are less than 50-50.

Negotiations were still continuing over the plan, he added, but the group had agreed to meet the United Steelworkers Union and "consider alternatives."

The two steel companies had previously indicated that they wanted to reach an agreement before the end of this month.

But the project has run into vigorous opposition from the steelworkers who claim that it will mean a long-term threat to U.S. jobs.

Under the proposals, BSC would sell about 3m tons of slabs a year to U.S. Steel, while taking an equity stake in Fairless.

If the BSC deal falls through, Mr Graham indicated that the Fairless facilities could be phased out as part of its rationalisation and cost cutting programme.

The group has recently announced plans to reduce its staff by 4,000, and it is reviewing plans for further rationalisation at its Mon Valley plant, near Pittsburgh.



Mr Robin Leigh-Pemberton, Governor of the Bank of England (left), and Mr Nigel Lawson, Britain's Chancellor of the Exchequer, outside the IMF building in Washington. It is the first time that the men have attended the conference in their present roles.

Warning on Third World debts

BY PETER MONTAGNON IN WASHINGTON

INTERNATIONAL bankers are much less nervous than they were a year ago about the developing countries' debt problem, but "there is still the risk of an accident," Mr Willard Butcher, chairman of Chase Manhattan Bank, warned yesterday.

Further progress on solving the problem depends heavily on the ability of the International Monetary Fund to participate fully in the rescue programme for the worst-hit countries, he told the Financial Times in an interview.

"The IMF provides a vehicle through which readjustment programmes can be established and if it doesn't have some financial muscle, its authority will be eroded," he said.

It would be unfortunate if Congressional refusal to ratify the U.S. share in its proposed IMF money but it would be a quota increase meant that the financial system was "jumping

overboard just as it was getting close to the shore."

Since last year's IMF meeting in Toronto, solutions have been forged for Mexico and Argentina—and "we are on the verge of a solution for Brazil," he said, "but we are not out of the woods—there are some lingering problems."

Mr Butcher said he was growing less hopeful that Congress would pass a quota increase. It had "grossly misunderstood" the IMF which was not an aid agency and was also not involved in bailing out commercial banks with loans outstanding to debtor countries.

Whatever happens on the quota increase, the banks will have to put into Brazil "many times what the IMF puts in." The banking system could scrape by without additional IMF money but it would be a very unattractive solution, he said.



Mr Willard Butcher

Health, environment, welfare hit by Government cuts

Reagan brings bureaucracy to heel

BY NANCY DUNNE IN WASHINGTON

"I USED to fantasise what it would be like if everyone in Government would quietly slip away and close the doors and disappear. See how long it would take the people of this country to miss them. I think that life would go on, and the people would keep right on doing the things they are doing, and we would get along better than we think."

Thus spoke Ronald Reagan in 1979, and, as far as Congress would let him, he has been true to his oft-repeated campaign promise "to take government off the backs of the people." He has cut what he deems to be burdensome Government regulation and slashed federal programmes he feels could be better handled by state and local governments if they are needed at all.

The result has been a wrenching upheaval within the federal Government and far-reaching changes in policies designed to protect public health, upgrade and preserve the environment and promote the welfare of the poor and minorities.

Because the Democratic-controlled House of Representatives opposes most of the federal Government pullback, the President has wrested change through budget cuts and administrative policy revisions. The thriving federal bureaucracy, which had propagated both necessary and insane regulations through 50 years of Government growth, has been largely brought to heel by conservative department heads, many of whom were appointed to dismember or dilute the programmes they head.

The budget cuts and shifts of responsibility to the states have produced "a counter-revolution," according to a report prepared by the Urban Institute, which said that the size and scope of the federal establishment has been reduced to roughly the level of the mid 1970s. The study concluded that if all the President's proposals are adopted, he could "restore economic policy and inter-Governmental relations to their status before the New Deal."

Most of the budget cuts have hit "human resources" programmes—those for the retired,



Soup kitchens in Detroit

President Reagan has gone as far as Congress has allowed him in fulfilling his promise to "take government off the backs of the people". If all his proposals are adopted, some observers believe U.S. social and welfare policy will be back to where it was before the New Deal.

The Environmental Protection Agency has only begun to recover under Mr William D. Ruckelshaus from the scandal over its waste cleanup programme when the agency was headed by Mr Watt's protégé, Mrs Ann Gorsuch Burford.

Once one of the most efficient federal agencies, the EPA was hit severely by spending and staff cuts. Its entire direction shifted from environmental protection to reducing the burden of environmental protection laws on polluters.

Driven from office by Congressional fury over priorities in the waste management programme, Mrs Burford claimed "We have compiled a solid record of achievement."

Predictably, it has been the unemployed and working poor who have suffered most from the effects of the Government cuts. The food stamp programme for the poor has been drastically reduced, and the hungry have been sent to a proliferating number of soup kitchens and emergency telephone "hot line" agencies, which bring food to the desperate.

The Legal Services Corporation, which provides legal help for the poor, has also been slashed. The Administration tried to convince Congress to abolish the agency, but after failing in that attempt, the President appointed 10 conservative board members, many of whom had opposed the corporation in earlier court suits.

According to a study of 16 local legal service programmes by the American Civil Liberties Union, the number of lawyers in the programme was cut and 300 field offices were closed.

Thus far, the Reagan Administration has been remarkably adept in its handling of Congress and opposition bureaucrats. Occasionally, as in the case of the EPA, the Democrats are able to promote public outrage to the point that the President backs down, but usually he manoeuvres skillfully.

The President has been loyal to his promise to curtail domestic programmes. That he has done so has been to the misfortune of those who depend upon Federal resources.

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cell on four wheels) and the bonnet designed to crumple on impact and not shoot through the windscreen.

Finally, you'll soon realise that Saab owners enjoy the luxuries of life. That's why you'll discover, fitted as standard, a heated driver's seat, power steering, central locking, electric windows and mirrors plus a special air filter that stops dust and pollen seeping in.

And if you really want a life of luxury there are always little extras like air conditioning, sunroof, automatic gearbox and cruise control.

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TECHNOLOGY

EDITED BY ALAN CANE

The UK takes lead on sponsored films

Video & Film

BY JOHN CHITTOCK

THE OPPORTUNITIES for British industry to reach the public through moving pictures have been few and frustrating. In the salad days of the cinema, only exceptional sponsored films achieved circuit release, and the advertising shorts were usually geared — like TV commercials — to high spending budgets for very brief messages. Editorial use of sponsored documentaries on television has been a goal achieved by the very fortunate on the rarest of occasions. In consequence, sponsors who have wanted to reach public audiences with any degree of certainty have depended principally on 16mm non-theatrical distribution — viz. to schools, women's institutes, clubs and other groups where film shows are held.

If the notion of a small audience sitting in a darkened church hall to watch a 16mm film seems primitive, the arrival of video has offered a cheaper, more flexible and modern alternative. But some of those whose business relies on the 16mm film — such as distributors and processing laboratories — vigorously claim that this medium of sponsorship is alive and doing very well.

Such claims do not square with all of the available evidence. Many producers whose livelihoods have been based on sponsored films complain of business being lost to newly-formed video companies (while others have added video to their capability). Yet perhaps the most revealing statistical evidence is to be found in entries for the British Industrial and Scientific Film Association's annual festival. The percentage of entries submitted on video (although perhaps shot on film) has climbed steadily from 3 per cent in 1979 to nearly 42 per cent in 1983.

It therefore seems curious that at the international industrial film and video congress, which last week was held in London, 110 of the 138 entries from 15 countries were on film (and of that, a surprisingly high proportion on 35mm). In conversations with various delegates, my earlier suspicions have been confirmed — Britain is probably leading the world in switching to video for distribution purposes.

Many well-known examples of this have been documented in this column over the last few years, such as the Mothercare video disc project for point-of-

sale display, the AA's venture with Ford to produce videocassettes on motor car maintenance, and a number of sponsored videocassette programmes for direct sale to the public (eg. Pedigree Petfood's All You Need to Know About Dogs).

One of the most ambitious sponsored video projects is about to be launched in UK. Peter Stuyvesant Travel (a subsidiary of Rothman) have put together a ski holiday promotion package which is based on a videocassette derived from a new Channel Four series about skiing and related to a ski

The growing availability of television to industry is now pushing moving pictures into the front line of marketing and corporate PR strategies.

teaching book about to be published by Collins.

A consortium of Goldcrest Television, Wm Collins and Peter Stuyvesant Travel have pooled their resources to finance a six-part television series — which Channel Four will show this winter; from this comes the re-edited 75 minute videocassette which PST will promote; and the Collins book — *How We Learned to Ski* (same title as the video programme) — which adds its own dimension to the package.

The Channel Four series will make no reference to such sensitive matters as names of sponsors (in this case, in fact, investors) but will refer to the existence of the videocassette with a telephone number from which it can be ordered (in fact, the number of Peter Stuyvesant Travel).

The videocassette is a competitive £16.95, the book £6.95, or the two £21.95. But anyone booking a Peter Stuyvesant winter holiday gets the cassette free. And, of course, there are appropriate promotional points in the very polished video programme which provides an introduction to skiing.

An exercise of this kind is moving the traditional concept of the 16mm sponsored film on to totally new ground. At last the audience size is substantial, identifiable, and reachable at a cost which is easier to justify.

Some distributors of conventional film are watching such developments carefully. For example, in Finland Oy Inform is buying cable time and offering film sponsors segments interspersed with commercials. Other distributors are experimenting by placing videocassettes in book lending libraries — such as Melbourne, where each free cassette is borrowed on average twice per month. Since the VCR penetration in Australia is only 15 per cent, it shows promise: would one book be borrowed twice monthly if only 15 per cent of the population were literate?

At last week's International Industrial Film and Video Congress, it was impossible to get a consensus view of this trend away from traditional 16mm distribution. Some cling vigorously to 16mm; whilst others — especially in UK and Scandinavia — now reckon that up to 80 per cent of their copies are circulated as videocassettes.

It makes economic sense. Such as for Rolls-Royce, who last week previewed a new schools film... To Be an Engineer. Aimed at arousing interest in engineering at a school level, Rolls-Royce are giving videocassette copies of this to every teaching centre in the country. That would be unthinkable with 16mm prints.

The growing availability of television to industry — whether through video, cable TV or teleconferencing — is now pushing moving pictures into the front line of marketing and corporate PR strategies where once only the enterprising few regarded such media seriously.

Advances in microchip technology that have reduced the cost of modems from over \$300 a year ago to under \$100 are expected to draw new subscribers to existing home computer services as well as to the new video game "channels". "The customer does not care how the game software gets to him or her so long as it is cost effective and convenient," comments Mr Stuart A. Segal, vice-

U.S. INTEREST GROWS IN HOME COMPUTER COMMUNICATIONS

The home workstation is on the line

BY LOUISE KEHOE IN CALIFORNIA

THE VIDEO-GAMES-BY-PHONE service announced jointly recently by U.S. telecommunications giant AT&T and Coleco, the consumer electronics company, marks the arrival of home computer communications.

The implications for consumers go well beyond the prospect of Pacman on the phone bill. Once established, the games service could easily be expanded to include other types of computer programs, shopping, banking, security and information services. It might also distribute advertisements, and will almost certainly be used to gather detailed market research data for a wide variety of consumer products.

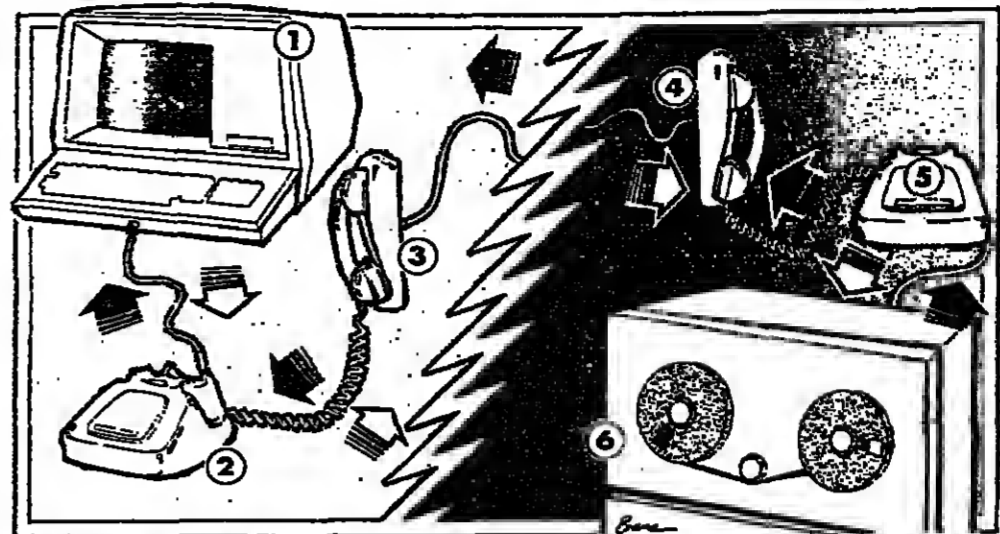
The combination of computer and telecommunications technology in the home has long been anticipated by industry visionaries as the key to "home of the future" technology. Most thought that the primary use of the technology would be to create home information services. Now, it seems that video games could provide the right combination to open up a wide range of new consumer services in the era of home computer communications.

"A new wave of telecommunications services for the home is about to emerge," according to Mr Mark Kriss, an industry researcher at the Boston Yankee Group. By Christmas 1985, services such as electronic software, distribution of video games, teleshopping and home banking will reach mass market status, he predicts.

"Twenty per cent of the projected 22m personal computer homes will be equipped with modems—the devices that hook up the computer to the telephone line—by 1985. In addition, 1.5m telephones with computer capabilities and built-in displays will be installed in U.S. homes by the end of the same year," he believes.

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Home computer communications is based on linking the computer (1) via the modem (3) to the telephone system (2). This converts the digital bleeps of the computer into tones which can be sent down the telephone line. A similar conversion takes place at the other end in the main computer which stores the games packages

president of marketing at Control Video Corporation in McLean, Virginia. CVC launched its game-by-phone service, called "Gameline," a month ago. Like the planned AT&T venture, Gameline uses telephone line communications. Consumers purchase a U.S.\$80 master module that plugs into video game machines and then pay a U.S.\$1 fee per game session.

"We aim to have 20,000 subscribers by year end," says Mr Segal. Although the AT&T/Coleco venture will compete directly with Gameline, Mr Segal welcomes the announcement. "It certainly legitimises everything that we have tried to do," he comments.

Not everyone is convinced that games by phone will be a success. The sceptics include cable television operators whose "wires" compete for traffic with those of the phone companies. Several cable television companies have experimented with video games as a means of attracting new revenues.

One such venture is Playcable, a joint effort between Mattel and General Instruments that was launched two years ago. The video game service is currently available on 20

cable systems in various parts of the U.S., but general manager, Mr Paul Hill, admits that his product has not been an overwhelming success.

"We have had to overcome consumer resistance to having to spend more money on yet another 'box,'" he explains. In this case the "box" is a customised adaptor that links the video game machine to the cable.

Video game producers are not sure what to make of the by-phone services. "We are looking at it," said Atari's spokesman. "We hope that consumers will try out new games by phone and then buy their own copies," added Imagic, some of whose games are distributed on the Gameline system.

"Game makers have been receptive," says Gamelines' Mr Segal. "They get a royalty for each time a game is played, but more important, they can test market their products at very little cost," he explains. Gameline plans to preview new games and give game producers information on the success or otherwise of the game.

"Yes, it will kill a bad game, but the cost of bringing a new game to market is huge. The

manufacturers need to know if they have a hit or a miss on their hands."

In the long term, however, electronic distribution of games and other home computer software could significantly change the structure of the consumer software industry. Some personal computer software publishers have already tried "downloads" software by phone, but most of the billion dollars worth of home computer software sold this year in the U.S. will be purchased in retail stores.

A major hurdle to be overcome by software publishers is how to prevent consumers making copies of the programs they receive over the phone. The sealed "read only memory" cartridges of video game machines make copying impractical for all but the most determined "pirates."

Coleco says that copying "is not seen as a problem" but will not reveal how they mean to prevent copying. "It is something that is not easily gotten around," says Mr Segal at Gameline which is currently considering expanding its services to suit home computers. Micronet 800—the UK company which offers a similar service, will be reviewed in a subsequent article.

Offshore

Alaskan floating islands

A MOBILE island made from concrete is to be used as a drilling platform for oil off the coast of Alaska. Nippon Kokan KK (NKK) in co-operation with Mitsui, has won the contract to build the floating island.

It will be used for work in the frozen Beaufort Sea, off Alaska by GMDI, a subsidiary of Global Marine based in Texas.

The concrete island drilling system will measure more than 312 feet long and 295 feet wide and just short of 100 feet in height. This massive structure will weigh something in the region of 56,000 tonnes.

The plan is to build the island in three sections. The first will be a steel mud base to sit on the sea bed, the second a concrete structure to sit on the mud base and the final upper steel deck which will house the drilling equipment and living quarters.

The work is scheduled for completion next May. The structure will make use of a special low temperature steel developed by NKK which can be used at temperatures lower than -50 deg C.

The company says that compared with traditional gravel based islands, the mobile concrete platform is cheaper to install and operate, survives the climate better and can be moved to other locations.

ELAINE WILLIAMS

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WORLD TRADE NEWS

NEI, India to hold talks over power station difficulties

By JOHN ELLIOTT IN NEW DELHI

TOP LEVEL talks are to be held in Britain next month to try to solve technical and procedural problems which have caused NEI (Northern Engineering Industries) to fall about three months behind schedule during the first year of its five-year, £250m contract to build India's Riband power station.

Mr A. K. Sah, chairman of India National Thermal Power Corporation (NTPC), is flying to London and Newcastle on October 5 for talks with NEI. Both corporations agree that prospects for completing the power station on time depend on major outstanding difficulties being resolved during this visit.

Neither Mr Sah nor senior executives of NEI who were in Delhi last week for an international energy conference, want a formal confrontation at this stage, despite some sharp differences between their staffs.

For both organisations, the contract is a new experience. It has involved the NTPC giving NEI virtually a turnkey contract for complete power station subject to detailed and regular controls, instead of placing several individual contracts itself.

GEC and Babcock from the UK are acting as major subcontractors to NEI.

British government officials have played a key role in negotiations on the contract throughout the past year, and are now trying to help resolve the difficulties.

In the 12 months since the contract was signed, the two

organisations have failed to agree on methods of vetting design specifications, manufacturing process, quality assurance and delivery schedules. There are still differences over the procedures to be followed, the levels in both organisations at which differences should be resolved, and the split of responsibilities between the NTPC, NEI and British Electricity International, part of the UK's Electricity Council which is acting as consultants.

The NTPC is asking for more information than NEI considers normal for such an international project. NEI is arguing that NTPC should worry less about details and accept its word that the contract will be completed by the June 1987 target date.

Because of the difficulties, various early parts of the work are up to three months or more behind schedule. The power station's main erection crane left the UK last month, several weeks late, and ordering of steelwork is two or three months behind schedule.

"It is not time yet to say the contract is going badly. It is not going badly," said Mr Sah at the weekend after meeting Sir Duncan McDonald, NEI chairman, and Mr Terry Harrison, managing director. "There have been difficulties but they are being sorted out. I feel the gap of about three months can be made up."

In the past, India has usually built its power stations with World Bank aid and has obtained competitive inter-

Italians to expand Saudi network

By Lance Keyworth in Helsinki

AN ITALIAN telecommunications group, led by the state-owned company Stet, has won a contract worth more than \$800m for the expansion of the telecommunications network in Saudi Arabia.

Sirti, owned 50 per cent by the state holding company Iri and 30 per cent by Pirelli, Italy's leading cables maker, is to supply cables over a distance of 2,500 km and build 40 switching centres and other plants.

The contract was contested by other companies, including AT & T and ITT of the U.S. Through its subsidiary company Sartelec, Sirti already has a contract for the maintenance of the Saudi long distance telecommunications network.

Part of the contract, linking Taif, the Saudi summer capital, and Mecca, the centre of Muslim pilgrimage, will be carried out using optical fibre cables. The entire contract is to be fulfilled in two years, with a one-year maintenance period.

Total to buy

Australian LPG

ADELAIDE — Cooper Basin producers will supply Total International of France with up to 200,000 tonnes of liquefied petroleum gas (LPG) a year for up to five years, Santos Limited said.

Total and the Santos-led producers signed an agreement yesterday for the export of the LPG, expected to begin in mid-1994. Santos' general manager (South Australia), Mr John McKee said in a statement.

SPEY MARK 807 TO BE USED IN TACTICAL JET FIGHTER

Rolls-Royce in Italy, Brazil engine accord

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS-ROYCE has signed with the Italian Ministry of Defence an agreement worth potentially many millions of pounds for the manufacture and assembly of parts of the military Spey Mark 807 jet engine in Italy.

The engine will be used in the AM-X tactical fighter, now under joint development in Italy for the Italian and Brazilian air forces, with a total of about 285 aircraft envisaged, of which 185 will be for Italy and 80 for Brazil.

Initially, engine components will be made in the UK by

Rolls-Royce, with licensed manufacture of parts by Fiat Aviazione and other nominated companies in Italy and Brazil. Assembly of the engine will be undertaken in Italy.

The first flight of the AM-X is set for 1994, with deliveries of production aircraft in 1997. Work on the aircraft is being undertaken in Italy by Aeritalia and Aeromach, and in Brazil by Embraer.

The AM-X is a single-seat, single-engine tactical close air support and reconnaissance aircraft. Although primarily

destined for the Italian and Brazilian air forces, both countries are hoping for substantial export contracts throughout the Third World.

The Rolls-Royce agreement was signed in London last week by representatives of the UK company and the Italian Ministry of Defence.

The engine involved is the Spey Mark 807, a non-reheated turbo-fan with a take-off thrust of 11,030 lbs. Rolls-Royce believes that it will have extensive applications in other

military aircraft besides the AM-X.

Under the AM-X partnership agreement, six prototype aircraft are being built, with two airframes for static and fatigue testing. Alfa Romeo is also involved with Fiat Aviazione in the assembly of the engines.

In the Italian air force, the AM-X is intended to take over duties currently performed by four different aircraft types: the G-81 in close-support roles, the G-91Y interceptor, and the Lockheed F-104G strike aircraft.

McDonnell to promote Australian tourism

BY COLIN CHAPMAN IN SYDNEY

THE AUSTRALIAN Government is about to sign an agreement with McDonnell Douglas whereby the St Louis-based aerospace company undertakes to market Australia as a tourist destination and provides "support and assistance" to the Australian Tourist Commission as an offset to the Royal Australia Air Force's purchase of 75 FA18 tactical fighter aircraft. The fighter deal is worth \$3.4bn.

Most Australian purchases of overseas aerospace or trans-

port equipment is normally accompanied by offset conditions, but usually the work is carried out in Australia. This is the first time that tourism has been used as a barter in an offset deal.

The Minister for Tourism, Mr John Brown, also announced yesterday a substantial package to revitalise Australia's tourist industry, which presently contributes \$10bn, or between 5 and 6 per cent of GDP, to the national economy, and accounts for 375,000 jobs.

Mr Brown plans to double the

number of tourists visiting Australia, and has increased the budget of the statutory Australian Tourist Commission (ATC) by 75 per cent in order to try and achieve it.

Much of the money is to be spent on a high powered international television campaign featuring the comedian Paul Hogan, who has given his services for nothing, and who will replace the ubiquitous koala bear and the kangaroo as the country's major standard bearer.

The ATC is to open new

offices in Hong Kong, Bangkok, Kuala Lumpur and Seoul, and will establish major Australian promotion centres in New York, San Francisco, Tokyo and Singapore.

Mr Brown also announced that the Federal Government plans to introduce duty free shops in the arrival terminals at Australia's major airports to allow visitors and returning residents to buy both cigarettes and liquor and other goods such as consumer electronics "in a way that will benefit us rather than countries like Singapore."

Call for Opec to end distortions in oil price differentials

BY RICHARD JOHNS

THE Organisation of Petroleum Exporting Countries needs to evolve a system of price variations for different crudes properly reflecting market realities if the stability of the oil market is to be maintained.

This is one of the conclusions of the second report of an influential group of experts associated with Opec. The Research Group on Petroleum Exporters' Policies, formed last year, which includes two former Opec secretaries-general, warned last year (four months before actual rates were cut by \$3) that a "price shock" might have to be administered to members exceeding output quotas and offering discounts if discipline was to be restored.

Now the group sees a proper alignment of differentials "as an absolutely vital element in long-term market stabilisation." They reckon that a "distorted pattern" of price variations is putting pressure on the quota system, under the production sharing agreement drawn up in March in their report which is published in the latest edition of the Middle East Economic Survey.

The authors see some important medium-to-heavy crudes especially as being underpriced in relation to the Arabian Light reference, with an official selling price of \$29 per barrel, judged by the value of refined products after the cost of shipping and processing crude has been taken into account (see table).

But they reckon that some of the premium light crudes including Brent Blend, the North Sea reference, and Nigeria's Light as also being under-

DIFFERENCES BETWEEN REALISED AND OFFICIAL PRICES

	(\$ per barrel)			
	mid-March	mid-May	mid-July	mid-August
Opec crude				
Arab heavy	1.59	1.17	1.40	1.08
Iran heavy	1.15	1.34	1.24	0.93
Iran light	0.56	0.79	0.67	0.62
Forcados	1.15	1.70	1.45	2.10
Bonny light	0.45	1.11	0.41	1.30
Non-Opec crude				
Maya	3.69	3.11	3.52	2.45
Alaska North Slope	2.52	2.75	3.00	3.35
Ichthamus	0.39	0.65	0.69	1.21
W. Texas Intermediate	1.77	1.45	1.42	1.93
Brent	0.19	0.75	0.53	1.07
Ekofisk	0.25	0.85	0.61	1.15

* U.S. Gulf values only. † Cracking netback values only

Source: Research Group on Petroleum Exporters' Policies

priced. At the end of last week they were being quoted at \$30.50 and \$30.30 respectively following a decline of a dollar or so since early August.

Realised prices for some heavier and intermediate crudes have held up well because of slack demand and spare refining capacity have meant that a greater proportion of them can be up-graded products through catalytic cracking capacity.

Opec's review — at the next ministerial conference early in December — of the overall ceiling and national quotas should "admit the possibility of a more equitable adjustment on the relative market shares established in March 31" in the opinion of the authors.

The group's report gives support to the view of some analysts that the spot market prices for premium North Sea and African crudes such as Brent and Bonny has held up well against official selling prices because they are under-

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Tuesday	Heathrow — Anchorage — Tokyo — Osaka	Wednesday
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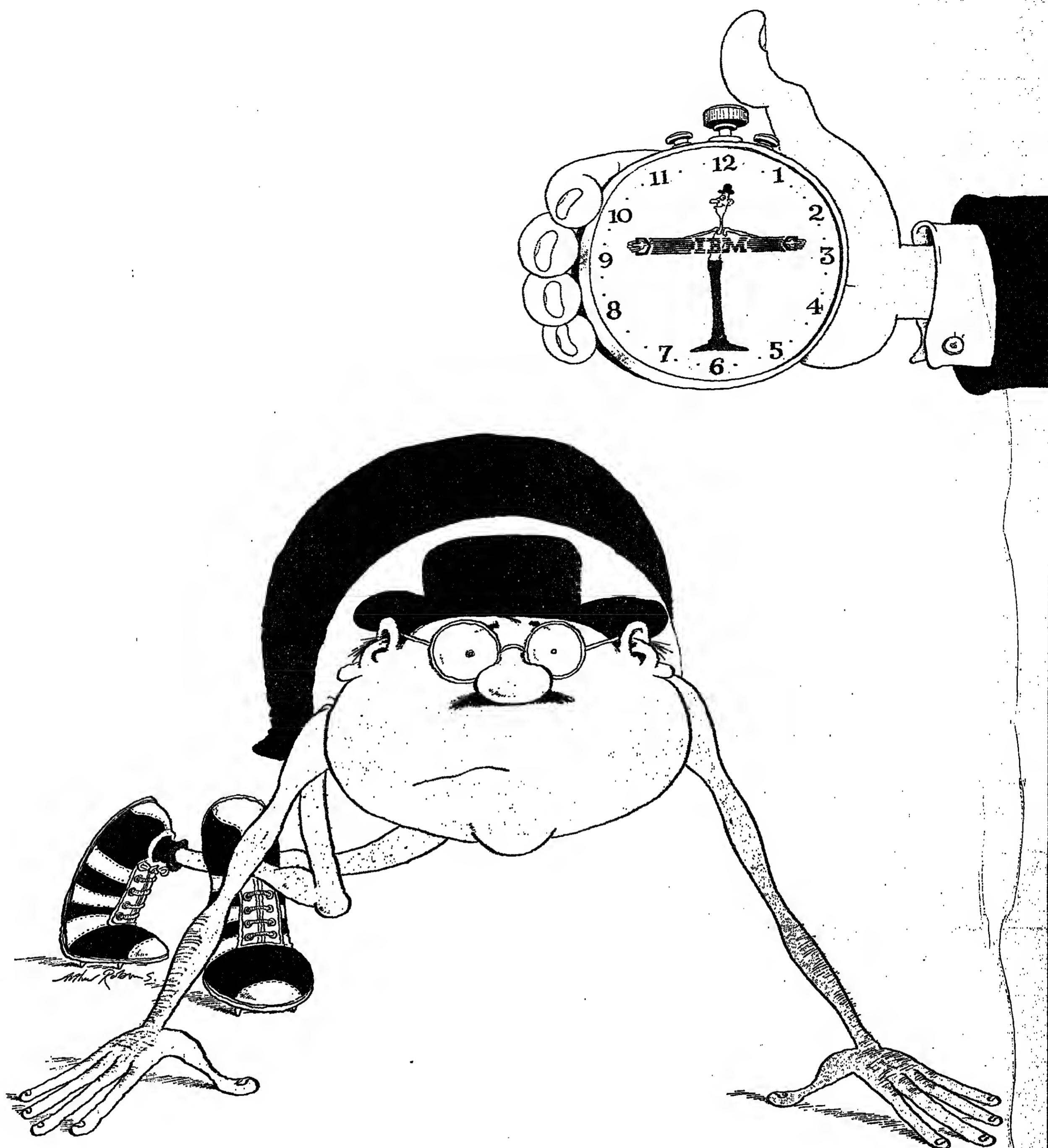
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UK NEWS

INDUSTRIAL HEARTLAND NOW IN DECLINE

Low pay hits West Midlands

BY BRIAN GROOM, LABOUR STAFF

WAGE LEVELS in England's West Midlands, the highest in Britain 10 years ago, are now among the lowest, and there is widespread poverty in the region, the Low Pay Unit, a pressure group which campaigns against what it considers low pay, says today.

Its report charts the decline of what was once Britain's prosperous industrial heartland and shows how rising unemployment - the West Midlands jobless rate was once almost the lowest in Britain but is now the fifth highest of the country's 10 regions - and falling relative pay levels have accompanied each other.

Ten years ago, male manual workers in the region - the centre of Britain's motor industry - had the highest average earnings of those in any of the regions; by 1982 they were third from bottom, the re-

port says. Their earnings had fallen by 9 per cent in relation to the national average.

Based on its findings on the official new earnings surveys for 1972 and 1982, the report also shows that the average wages of non-manual male workers in the West Midlands fell from second to ninth in the regional "league table." For women manual workers, the fall was from second place to seventh.

No-manual women workers have escaped the worst effects, falling only from third to fourth. All these declines in relative earning power are against a background of rising unemployment. The West Midlands once had almost the lowest unemployment total in Britain, but now has the fifth highest.

The unit argues that, measured against its definition of low pay (£30 a week in 1982), one in six men

and almost two thirds of women worked full-time for poverty wages. Eighty per cent of part-time women workers earned low pay, using an equivalent hourly definition.

The unit is setting up a special West Midlands low pay unit and launching a campaign against low pay in the region, starting today with a meeting in Birmingham, to be addressed by Mr Neil Kinnock, the main contender for the UK Labour Party leadership.

The low pay campaign, sponsored by West Midlands County Council, aims to combat the high level of illegal underpayment of statutory minimum wages set by wages councils.

The unit says that last year a third of West Midlands companies examined by government wages inspectors were found to be paying illegally low wages - double the proportion breaking the law 10 years ago.

General Accident to close offices

By Eric Short

THE GENERAL Accident Group, the UK's largest motor insurer, is about to announce a major programme of rationalisation and reorganisation of its UK operations, which could result in the closure of as much as one third of its branch and sub-office network (around 60 offices).

A statement from the group issued yesterday to counter rumours of a massive branch shutdown, confirmed that it was finalising details of the review and that staff were fully aware that reorganisation discussions were taking place. Meetings were being held this week with the trade unions representing the staff.

The company refused to give any indication of the number of offices due for closure or the numbers of staff involved. It admitted to the need for some redundancies, although it hoped that redeployment and natural wastage would mean that the number of layoffs would not be high.

However, Mr Peter Kennedy of the Association of Scientific, Technical and Managerial Staffs, which represents about half of General Accident's employees, said that talks so far had been of a tentative nature.

Union representatives at today's meeting would be seeking full details of the management's plans and an assurance that there would be no redundancies.

Government issues £1bn tap stock

By Our Financial Staff

THE GOVERNMENT took advantage of the market's hopes for an interest rate cut to announce a £1bn Treasury stock issue yesterday.

The issue carries a 9.75 per cent coupon with a minimum tender price of £96.50 per £100 of stock. It matures in 1988 but can be converted between 1984 and 1986 into 9% per cent long-dated stock.

The previous short-dated tap stock was exhausted on September 21.

Proceeds of the issue will be used to meet the Government's cash requirement and to refinance maturing stock. Payment is in three instalments by December 5.

The Bank of England continued to keep the markets on tenterhooks yesterday by leaving its dealing rates unchanged. Although this caused some disappointment, the good U.S. money supply news over the weekend has strengthened the conviction that a cut in base rates is still likely.

Vauxhall strike in balance

VAUXHALL motor workers at Luton in Bedfordshire are to be urged by shop stewards to strike from Friday. But the chances of the 14,500 manual workers at all three British plants of the General Motors subsidiary starting an all-out stoppage over the company's pay offer are in the balance.

Unions at Luton, Ellesmere Port and Dunstable will recommend rejection of the 14-month offer, which the company says is worth 7.7 per cent in cash terms. But stewards are divided on the next step.

Brokers warned on fighting key changes

BY JOHN MOORE, CITY CORRESPONDENT

SIR NICHOLAS GOODISON, the Stock Exchange chairman, held a private meeting of more than 100 senior partners from the stockbroking and jobbing firms in the stock market yesterday in an effort to head off possible opposition to proposals which will lead to the most extensive reforms in the stock exchange's history.

Sir Nicholas told the meeting that a vote which will bring key constitutional changes to the market was "not only impending but important."

Concern is mounting in the market about the extent of the changes which will result from the agreement between the stock exchange and the Government in June.

The Government has agreed to exempt the stock exchange from the legislation covering restrictive practices provided it admits outsiders to its system of government and regulation and dismantles by stages its rules establishing minimum commission scales for transactions in the market.

Stock exchange members are meeting on October 11 to vote on the admission of outsiders to its

council. This requires changes to the stock exchange's principal constitutional document, the deed of settlement.

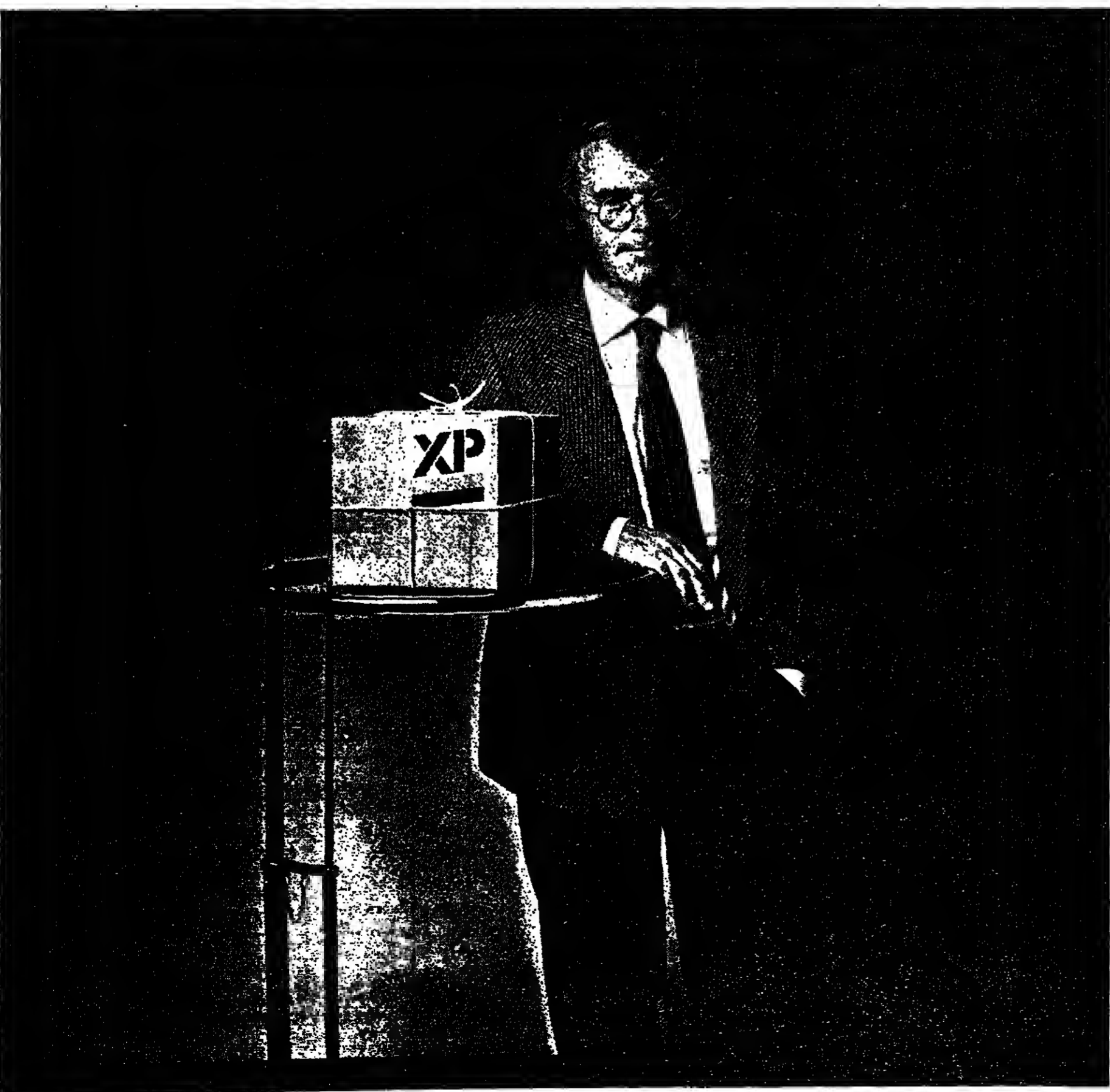
The changes to the rules on minimum commission do not need to be put to a vote. There are fears that members may register a protest against the changes required in the commission structure by voting against the constitutional changes.

A 75 per cent majority of those voting is required to carry the resolutions on the admission of outsiders. If it is not gained the stock exchange's affairs will once more be governed by the restrictive practices legislation.

During yesterday's meeting Sir Nicholas said outsiders forming a new appeals committee, which will be able to review the stock exchange council's decision to reject anyone applying for membership, would not be in any position to rewrite any of the market's rules.

He also said the dismantling of commissions had to be completed by December 31, 1986.

Sir Nicholas has asked for comments from all senior partners by October 4.



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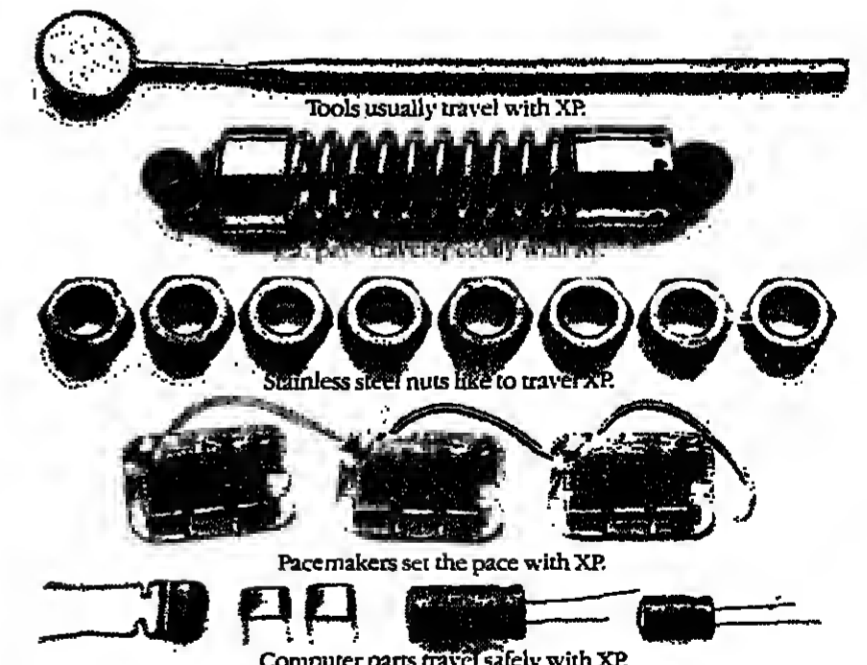
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Chandlers Ford	Resonance Telecommunications	0146-365151	Leamington	Local Telephones	01-427-4211	Northampton	Adams Telecommunications	01-648-2718
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Chandlers Ford	Car Link Communications	0703-618834	Leamington	Local Telephones	01-427-4211	Northampton	Adams Telecommunications	01-648-2718
Chandlers Ford	General Telephone Systems	031-223562	Leamington	Local Telephones	01-427-4211	Northampton	Adams Telecommunications	01-648-2718
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UK NEWS

Logica expected to seek full stock exchange quotation

BY JASON CRISP

INSTITUTIONAL shareholders in Logica, the leading British computer systems company, want it to go public in the near future. Although no firm decision has yet been taken, Logica is expected to seek a full London Stock Exchange quotation next month.

Logica, one of the UK's largest independent computer software companies, made a profit of about £3.25m on sales of around £44m in the year ended June 1983. In the previous year it made a pre-tax profit of £2.25m on sales of £33.1m.

Just over half the company is owned by the staff, with the remaining 45.38 per cent in the hands of institutional investors from the UK and Europe. Shareholders include: the National Coal Board Pension Fund (5.43 per cent); the Airways Pension Fund (4.67 per cent); Stichting Shell Pensioenfonds (8.5 per cent) and the Drouot Group (8.5 per cent).

Until last year the National Enterprise Board (NEB), now part of the British Technology Group, held a substantial stake in three Logica companies which have now been reorganised into one group. (The NEB had bought out Logica's principal shareholder, the U.S. company Planning Research, in 1979). At the

time of the reorganisation the NEB's holdings were placed with institutional investors.

Logica and its brokers Hoare Gove & Co are considering a number of options which would enable some of its longer-standing institutional investors to sell shares. The most probable routes are the full stock exchange listing or the Unlisted Securities Market (USM). It has also not been decided whether to raise new money for the company at the same time.

Weekend reports suggested that about 30 per cent of Logica would be launched on the stock exchange at the end of October. Final decisions are expected to be made shortly, although Mr Philip Hughes, chairman and founder of Logica, is at present in Australia.

Logica was founded in 1969 and has experienced steady growth, with about 40 per cent of its sales coming from overseas markets. In the UK it has a particularly strong presence in the banking sector, including the specification and design of Cheque, the computerised same-day settlement network.

It also manufactures word-processors at its VTS subsidiary, which mainly supplies ICL, the largest British-owned computer company.

Acorn to double Electron production

By Jason Crisp

ACORN, the microcomputer company which is shortly to float 10 per cent of its equity on the Unlisted Securities Market (USM), is doubling production of the Electron, its newest computer launched last month.

The company has placed an order for 100,000 Electrons with AB Electronics, the electronic component and systems manufacturing company. The order is expected to create 100 new jobs in Wales. Acorn is expected shortly to announce further contracts for the Electron from other UK manufacturers.

AB Electronics is to make the Electron at its newly built and highly automated factory at Rogerstone in Gwent, Wales. To date, the Electron, which costs £199, has been made in Malaysia by Asotec, a subsidiary of BSL.

AB Electronics, which is based in Glamorgan, has been a manufacturer of Acorn's highly successful BBC computer since it bought Clearstone from the receiver for £250,000 last year.

BOOM INDUSTRY OF THE NEXT DECADE

Sharper TV on the way

BY RAYMOND SHODDY

A NEW generation of television sets with a larger and much sharper picture is emerging from research centres, according to a new study published yesterday.

If successful, the high-definition or enhanced sets could be selling at the rate of 10m a year, worth more than £6.6bn in the 1990s, the study. Strategies for Higher Definition Television, argues.

Mr Tim Johnson, the report's author, says: "With high-definition television we could be seeing one of the boom industries of the 1990s just appearing on the horizon."

"The progress towards creation of a system which can provide an attractive service to the ordinary home has been amazing in the past year or so," he says. "Experts' views on what is possible, and when, are changing almost week by week."

Work on new forms of television receivers is being done in the U.S., Japan, Germany, the Netherlands and the UK.

In Britain, Mr Johnson says, the main work is being done by Philips, GEC-Micromed, the Independent Broadcasting Authority and the BBC.

Until now high-definition television has been largely associated with the work of NHK, the Japanese public broadcasting company. The Japanese system is based on

1125 lines, compared with 525 lines in the U.S. and 625 lines in Europe. It is, therefore, incompatible with existing television receivers and may be more relevant for movie and closed-circuit distribution.

The biggest improvements on the way include methods of high-speed progressive scanning, says the report. Instead of scanning half the lines in a picture 50 or 60 times a second, enhanced television would scan all the lines 100 or 120 times a second. The apparent sharpness of the picture is greatly improved.

Commercial exploitation will need the development of a microchip "frame store" cheap enough to go into a domestic set but sophisticated enough to hold a complete electronic record of one or more television pictures.

Such a memory size would cost many hundreds of pounds now, but the price could fall to as little as £7 by the late 1990s, the report says. Apart from dividing the screen to show several channels at once such a chip would turn a television set into a powerful terminal for personal computing or video games.

Enhanced television would need more broadcasting space than ordinary television. It could be distributed by using two cable channels or by direct broadcast by satellite (DBS).

Enhanced television could be carried in a stretched version of the MAC (multiplexed analogue component) system recommended as a DBS standard in Europe and, according to Mr Johnson, being considered for the U.S. and Canada.

"All the problems which looked so insuperable only a year ago are now being solved," Mr Johnson claims.

"There's no doubt now that high-definition television will be technically feasible - the questions are how and when it will be achieved." Strategies for Higher Definition Television, Ovum Ltd, 14 Penn Road, London N7, £395 or £245.

● Sony, the Japanese consumer electronics manufacturer, plans a £3.6m expansion of its colour television tube plant at Bridgend, South Wales, which will double production capacity there, writes Guy de Jonquieres.

A 27,000 sq ft extension is due to be completed by August next year, increasing production capacity to 240,000 tubes a year from 120,000 and providing up to 60 more jobs.

The tubes will supply Sony's television factories at Bridgend and in West Germany. The company employs almost 1,000 people at Bridgend, where it makes about 180,000 television sets a year.

Shell's Manchester complex in jeopardy after heavy losses

BY NICK GARNETT, NORTHERN CORRESPONDENT

SHELL Chemicals has told shop stewards at its Carrington complex in Manchester that the site must break even by the end of 1985 or it will not survive.

The complex, which has made heavy losses during the past three years, recorded its worst performance in that time during the second quarter of this year.

Dr Ian Thornley, the plant's manager, told union representatives that costs were still too high, that the management was considering a number of options including compulsory redundancies.

The unions have already told the company that they will not accept enforced redundancies and will initiate industrial action if that option is taken up.

Employment at the complex, which was 2,500 by the end of 1980, fell to 1,750 at the end of last year, and there is a programme to reduce this to 1,280 by the end of this year. All these reductions have been carried out by voluntary means, natural wastage and redeployment.

Shop stewards said yesterday that the company appeared to be heading for a shortfall on its target figure. Mr Fred Green, the Transport and General Workers' Union

convenor, said the company seemed to want to accelerate job losses, and he reaffirmed the threat of industrial action over compulsory job cuts.

Shell Chemicals UK lost £57m last year and the future of Carrington might be largely dependent on the development at Mossburn, Scotland.

Shell is due to commission a gas separation plant at Mossburn next year and will have a share of ethylene output from the ethane cracker Esso is due to commission at Mossburn the following year. This ethylene is due to be used at Shell's higher olefines plant at Stanlow in Cheshire in north west England.

● Overtime restrictions imposed by workers at the massive Shell oil refinery at Corringham on the Essex coast will be lifted today. The men decided to impose the restrictions for a week in protest against plans to slash the workforce from 1,100 to 650 next year.

Other measures may follow, including the possibility of an all out strike if workers are disciplined because they refuse to move from one job to another.

British Steel plans to match the Japanese

BY BRIAN GROOM, LABOUR STAFF

BRITISH STEEL (BSC) is planning a new series of productivity measures aimed at matching Japanese manpower efficiency standards. The measures would cut across traditional demarcation lines, even those involving senior management.

After savage redundancies which have cut BSC's workforce from 210,000 to 75,500 over six years, the corporation aims to use remaining workers more flexibly. This involves moving towards the "steelworker concept," a controversial proposal to make employees into virtual "jacks of all trades" - able to undertake all kinds of work.

Production workers will be required to do more maintenance and repair of their own machinery. Craft workers will be asked to operate machinery, as well as maintain it.

The division between staff and manual workers will be further blurred. At some BSC plants "leading hands" are already taking on supervisory duties, while foremen cover wider areas and can pick up the tools to speed up a job.

At the top level, BSC officials question whether traditional managerial divisions between production and engineering, or between quality control and production planning and control, need to be retained in a slimmed-down corporation.

The steelworker concept ran into stiff union opposition when it was proposed at a small number of loca-

tions earlier this year. It was the main reason why the corporation failed to win a national enabling agreement with most unions before the 1983 local pay and productivity negotiations.

New proposals are likely to start emerging in BSC's individual businesses in the next few months. Managers hope that this time they will be broad-based enough not to antagonise particular groups. Protests so far have come from production workers' unions who objected to their jobs being taken by maintenance craftsmen.

BSC managers argue that the rigours of the market compel them to seek higher efficiency. They believe that massive redundancies have tackled institutionalised overmanning, and raised productivity to the point where it matches, or better, the best in Europe.

The Japanese, however, are still ahead. Sumitomo, for instance, makes a similar amount of steel to BSC but with an estimated workforce of about 60,000 workers - 31,500 of its own, plus outside contractors' employees who work even in direct areas such as coke ovens.

BSC's man-hours required to make a tonne of liquid steel reached 7.3 in the April-June quarter, compared with the plan to average 7.9 over 1983. In 1979 the corporation was achieving only 13.6 man-hours.

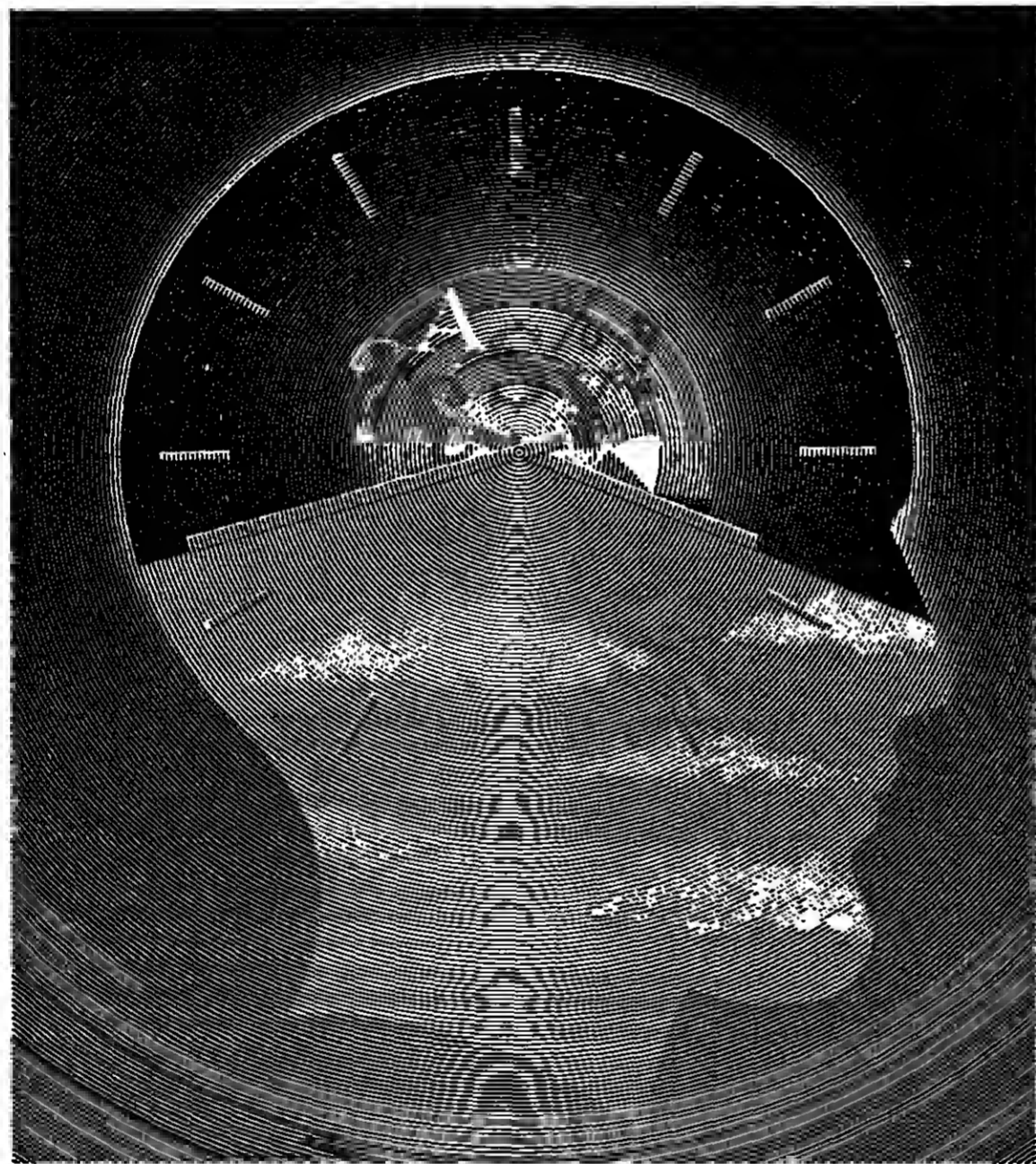
Car makers test new battery

CHLORIDE is to introduce a battery in the UK which, it claims, is more powerful than conventional models. British Leyland and Ford, which are interested in its weight-saving potential, are carrying out long-term trials on the battery.

Chloride says the battery, called Torque Starter, is 20 per cent lighter than conventional models yet

gives 20 per cent more power during the vital first 20 to 30 seconds when a car is being started. It is designed to fit several types of cars.

BMW and Mercedes are using the battery as original equipment in South Africa, and General Motors is installing it on some Holden models in Australia.



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	1982/3	1981/2
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Consolidated Profit for year	174.9	154.9
Profit after taxation and lease consideration	91.6	89.4
Dividends paid	49.0	43.2
per share	85 cents	75 cents

STATEMENT BY THE CHAIRMAN, Mr. E. PAVITT

MARKET

The automobile industry in the United States and Japan increased its platinum consumption and more favourable levels of demand are indicated in the foreseeable future. Proposed legislation in Western Europe to control exhaust emissions offers the prospect of an important market, but it is unlikely to be significant before 1990. The Japanese jewellery industry exhibited a strong demand although there was evidence of consumer stocks being drawn down at the higher price levels. It is anticipated that the Japanese jewellery industry and the electronics industry worldwide will continue to absorb substantial quantities of platinum, whilst the present relatively small speculative/investment physical demand is expected to show a continuing increase.

A more closely controlled supply of palladium from the USSR eventually resulted in the free market price rising to more realistic levels. The Impala producer price for palladium was increased to \$130 in January 1983 in response to this development.

OPERATIONS AT THE MINES AND REFINERIES

Throughout the year operations remained at the reduced level reached a year ago. Advantage was taken of this situation to carry out preventive overhauls to several major items of equipment, to intensify training programmes, and to improve certain underground ore and material handling facilities. Worthwhile improvements in underground labour utilisation were also achieved during the period.

Construction work at the cobalt recovery plant was completed, the plant commissioned and brought to production.

FUTURE OUTLOOK

Some increase in consumption of platinum by traditional users is expected in this financial year, but at this stage we do not foresee significant profit improvements in the period to June 1984 due to the effects of inflation.

We intend to maintain our policy of supplying precious metals to end users under contracted terms which ensure prices which are reasonable and stable.

Johannesburg, 6 September 1983

The above has been extracted from the Chairman's Statement. Copies of the Annual Report including the full statement may be obtained from the London Secretaries, Gencor (U.K.) Limited, 30 Ely Place, London EC1N 6UA.

CONTRACTS

GEC wins £16m order from British Telecom

GEC telephones and switching systems worth £16m have been ordered by British Telecom from the telephone division of GEC information systems. The "Tudor" ESS has a capacity of one to five exchange lines and up to 20 extensions. Large quantities of pushbutton telephones—the "Statesman" and "Ambassador" models—were also ordered.

Bedford-based TEMPO INTERNATIONAL is investing £3.5m in a cold store and regional distribution centre, a large part of which will be leased by Birds Eye Walls at Monkspath, Solihull. The development is due for completion next summer. The work is being carried out by the Midlands company, Smith and Partners, with Tempo T.I. Engineering of Swindon, acting as design consultants.

The first-phase will occupy five acres of an eight-acre site, and will comprise 1.4m cu ft of temperature-controlled storage space. There will be 5,500 sq ft of office accommodation for a staff of more than 200, with parking facilities for over 100 cars.

BRUSH WELLMAN INC. has been awarded a \$14.3m (£9.5m) contract from the U.S. General Services Administration for delivery of 60,000 lb of beryllium to the national defence stockpile, over 12 months with initial delivery to be three months after award of contract. The contract also provides for options for future deliveries at prices to be negotiated.

Atlas ARPA 8500 A/CAS radar systems have been delivered by KRUPP ATLAS-ELEKTRONIK for installation on the VILCO tanker fleet of two Greek shipping concerns, Karageorgis and Mayamar Marine Enterprises, both of Piraeus, under orders worth more than £500,000.

A contract for a 200 tonnes a day sulphur-burning sulphuric acid plant has been awarded by the Générale des Gazettes et des Mines "GECAMINES" of the République de Zaïre to SIM-CHEM, UK (a Simon Engineering company). The plant, which will replace an older sulphuric acid unit, is to be built on an existing complex at Shituru, near Lisaki in Southern Zaïre, and is one of a number of new plants scheduled for this site. The total value of this turnkey project, which will be financed by the EEC, is nearly £3m, and is scheduled for completion in 1985.

SAUNDERS VALVE COMPANY, Cwmbran, has signed an agreement worth more than £200,000 with China, to supply of both products and know-how, with deliveries of the first quantities of diaphragm valves scheduled during next year.

TESLA ENGINEERING, Sturminster, has won an order worth £1.1m from the European Organisation for Nuclear Research (CERN). The contract is for the main sextupole electro-magnets for the LEP (large electron positron) project. Tesla will be supplying a total of 510 sextupoles of two different types, with an option for a further 32 units. The Tesla magnets for LEP are designed to exceptional tolerances to give the high quality magnetic field distribution that the application requires; they are to be used in control and adjust focusing the beams of electrons and positrons that will circulate inside a vacuum chamber around the LEP machine.

Two orders totalling over £500,000 have been won by Dobson Park company RICHARD SIMON & SONS, Nottingham. One is for a milk powder packing line for Nestlé of Croydon, and the other is a weighing, packing and palletising plant for L. & K. Fertilisers, Saxilby, Lincolnshire.

Around £2m ICL computer equipment has been ordered by Vestric, a wholesaler and distributor of pharmaceutical pro-

ducts. The contract entails supply of an ICL 2988 mainframe computer and an ICL 2966 mainframe computer to provide a nationally structured real time transaction processing service for chemists and hospitals throughout the UK, through the company's 30 warehouses.

THE HEWLETT PACKARD CONSTRUCTION GROUP has won contracts totalling over £2m. They include a project for Wycombe District Council, believed to be in the region of £850,000, and substantial refurbishment of a building in High Wycombe to provide new headquarters for Orange Medical Instruments.

OPTIM-MCS is to supply about £2m worth of computer systems to Forest furniture buying group. Over the next two to three years, Optim-MCS will supply almost all Forest's 137 member retail companies with small computer systems.

CRADLE RUNWAYS, a member of the OCS Group, has won four contracts to supply its products to the Middle and Far East. The largest, worth £350,000, is to supply four long-jibbed power trolleys for a project in Hong Kong's Exchange Square. The trolleys have stainless steel plating on the main jibs. The units will operate on top of two 51-storey buildings. Cradle Runways has also won a contract to supply the Bank of Oman in Muscat, the Kuwait Stock Exchange and the Barclay International Bank in Cairo with equipment for building maintenance operations. The contracts are worth over £117,000.

An export order worth over £750,000 for the first phase of an action speed tactical trainer, has been placed with SOLARTRON SIMULATION SYSTEMS, an operating division of Schlumberger Electronics (UK). The system, home built for the Indonesian Navy, is scheduled for delivery during 1985. It will be installed at Surabaya, on the island of Java.

An order worth about £2m (1.3m) has been won by GILLICK DOBSON INTERNATIONAL of Wigan, part of the Dobson Park Industries Group, to supply underground roof supports to Kitt Energy Corp. of Pennsylvania, a subsidiary of Standard Oil Co. The roof supports will be installed at the company's Kitt Mine operating in the Lower Kittanning coal seam.

APPOINTMENTS

Group planning director for Rentokil

Mr. Jim Morison, currently managing director of RENTOKIL UK property care division, has been appointed group planning director from January 1 1984. To succeed him Mr. David Chinery has been appointed managing director UK property care, from the Jeyes Group.

ACT (HOLDINGS) has appointed Mr. Ed Sherman as managing director of ACT (UK) and international group. Mr. Peter Davies takes over as managing director of ACT (UK), having previously been managing director ACT (Financial Systems).

Mr. Roderick F. A. Balfour has been appointed an executive director of THE UNION DISCOUNT COMPANY OF LONDON from October 3. He will resign his directorship of Jessel Toys and Gilbert.

Following the investment in CAPPER NELL by Consolidated Contractors Company Europe BV, which now owns 58.9 per cent of the enlarged ordinary share capital of the company, National Westminster Bank and Midland Bank have subscribed for, in aggregate, 7,000,000 variable rate redeemable preference shares of £1 each. Mr. W. P. Capper has resigned as chairman and director and Mr. A. F. Capper, Mr. J. Lathwaite and Mr. R. G. Roberts have resigned as directors. Mr. K. G. Toroyan, Mr. A. J. Hinchey and Mr. J. Small have been appointed directors and Mr. Toroyan becomes chairman. Mr. R. E. M. van Gestel remains on the board.

Mr. Christopher Stewart Lockhart has been appointed to the board of G. PERCY TRENTHAM from October 1.

Mrs. P. S. Godley Maynard, of Kleinwort Benson has been appointed to the board of PIFMAN as non-executive director.

NALFLOC has appointed Mr. Don Stewart as general manager from October 1. He will take over from Mr. Ken Jones, who is retiring. Mr. Stewart will have overall responsibility for the activities of the Northwich-based company which is jointly owned by ICI and Nalco. He has been a non-



Mr. Ed Sherman, managing director, ACT (UK) and International Group

executive director of Nalco since 1979, and will continue on the board. Prior to his new appointment he was site manager at ICI's Castner Kellner works.

Mr. John L. Crooks of Beverley has been elected president of the BRITISH VETERINARY ASSOCIATION.

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COMPANY NOTICES

DISCOUNT INVESTMENT CORPORATION LIMITED

LONDON LISTING OF ORDINARY SHARES WITHDRAWN

Application has been made by the Board of Discount Investment Corporation Limited to the Council of The Stock Exchange for the withdrawal of the London listing of its Ordinary Shares and the listing will be withdrawn with effect from 9.30 a.m. on 24th October, 1983.

The Board decided to seek withdrawal of the London listing because the principal market for the shares is Tel Aviv and the majority of the shareholders are resident in Israel. The Board is of the opinion that the company's shares continue to be traded in Tel Aviv. As a result of the London listing being withdrawn, shareholders may wish to advise of their holdings. Shareholders attention is drawn to the Rules and Regulations of The Stock Exchange which enable them to sell their shares on The Stock Exchange even if the London listing has been removed.

The Board has arranged for an agent to be available in London until 22nd November, 1983, to facilitate sales on the Tel Aviv Stock Exchange to purchasers of The Standard London commission rates will be charged on these transactions during the period 22nd November, 1983, to 31st December, 1983. The agent will be available to advise on the advantages of this arrangement should the shareholder or other agent through whom they are accustomed to deal, S. C. WARRING & CO. LTD., 30 Gresham Street, London EC2A 3DF, also.

27th September, 1983.

DOMESTIC PETROLEUM \$US 50 MILLION FLOATING RATE NOTES 1982-89

For the six months September 21, 1983 to March 20, 1984 the notes will carry an interest rate of 10 7/8 % per annum.

The interest due on March 21, 1984 against coupon n°4 will be \$US 527,07 and has been computed on the actual number of days elapsed (182) divided by 360.

The principal paying agent
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ALSACIENNE
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15, Avenue Emile Reuter
LUXEMBOURG

NOTICE TO HOLDERS OF EUROPEAN SECURITIES RECEIPTS (ESRs) IN YAMAGUCHI SECURITIES CO. LTD.

NOTICE IS HEREBY GIVEN that pursuant to the provisions of the ESRs, the annual general meeting of the company will be held on 27th September 1983 at 11.00 a.m. at the registered office of the company, 15, Avenue Emile Reuter, Luxembourg. The agenda for the meeting is as follows: (a) to receive and approve the accounts and reports of the directors and auditors for the year ended 31st March 1983; (b) to elect directors and auditors for the year ending 31st March 1984; (c) to consider and, if thought fit, to approve a dividend of 10% on the ordinary shares of the company for the year ended 31st March 1983.

Further notice is given that the ESRs will be used for the collection of the company's dividend and that the company will be unable to pay a dividend until the details of the dividend of the company and the details of the dividend of the company are received.

27th September, 1983.

PLANT AND MACHINERY

WALKER WALTON HANSON

By Order of A. M. Homan Esq., F.C.A. and P. E. Boldrin Esq., F.C.A., Joint Receivers and Managers of Alfred Herbert Limited and Tooling Investments Limited, Stoney Stanton Road, Coventry

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CATALOGUES: (Price £100) from the Auctioneers, Walker Walton Hanson, Dept. A.H. Byard Lane, Bradlesmith Gate, Nottingham NG1 2GL. Tel: Nottingham (0602) 54272 or 586161.

Auction

WANTED

Complete second-hand plants for manufacture of tractor-driven agricultural implements and sheet metal parts for automotive industry. Write Box G9131, Financial Times, 10 Cannon Street, London EC4P 4BY

WANTED

Complete second-hand plant for manufacture of rubber tyres and tubes for tractors, trucks, motor cars and motor cycles. Write Box G9130, Financial Times, 10 Cannon Street, London EC4P 4BY

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COMPANY NOTICES

EUROFIMA

US\$40,000,000 Floating Rate Notes 1979/89 The rate of interest applicable for the six months period beginning on 27th September 1983 and set by the reference agent is 10 1/2 % annually i.e. US\$525.52 per bond of US\$5,000.

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BANK OF AMERICA 

Tuesday September 27 1983

Micawber at the IMF

THE International Monetary Fund has never held an annual meeting in unpropitious circumstances. For the first time in its history, it has had to close its windows to loan applicants, because its funds are wholly committed.

The Group of 10 are withholding a projected \$3bn (£2bn) bridging loan (and effectively blocking the same sum again from the Saudi - Arabian) because they want to concentrate the minds of the U.S. Congress on the urgent need to ratify the already agreed increase in IMF quotas. Given the deeply unhelpful mood of Congress, which is dithering over the ratification and attempting to attach quite unacceptable conditions to it, this is rather like trying to enforce pressure through threats of suicide, but it is probably the best that can be managed. The Fund, like Mr Micawber, must simply hope that something turns up.

In this state of affairs, which could still develop into what Polonius might have called a most farcical tragedy, it seems worth restating just what is at stake in the effort to win a secure and orderly future for the IMF. Despite the current dramas about bridging loans, quotas, and borrowing rights, the money is not the most important issue: no proposal on the table would come near giving the IMF enough resources to "solve" the problem of international debt. As long as the Fund is essentially lead manager in a series of refinancings, the exact size of its own potential contribution is not a matter of life and death.

Co-operative

What is essential is that the Fund should have enough clout - the political clout, just as important as financial weight - to carry on with this lead role, for it is the one multinational institution with the breadth and resources to do it, despite the imaginative interventions of the Bank for International Settlements. Facing a multi-national approach, it would be a matter of weeks or even days rather than months before the bilateral haggling set in.

The Fund, which is constituted as a kind of financial co-operative, has even-handedness among its members as its fundamental operating rule; and however much members may complain about the conditions attached to IMF support, they remain in membership. They can end do greater generosity to richer members as a form of enlightened self-interest, but they remain members themselves.

Thus the efforts of the U.S. Administration to enforce tighter restrictions on the Fund's operations are, in effect, a self-inflicted wound, but within the rule.

A surfeit of grants

NOT SO long ago a leading Tory politician had this to say about industrial (and, by implication, regional) policy:

"One man's subsidy is another man's penalty, so he shouts for a subsidy, too. If you give vast grants and subsidies to some, you are making life difficult for the rest, the more so if you tax them to pay for the lucky ones. So in this way more and more firms can be forced to turn to government for help, which hardly helps self-reliance."

The words are Sir Keith Joseph's and while they date from 1975 their point is no less apposite in the light of the outcry in the West Midlands over Lucas Industries' decision to take a £35m high technology investment programme to South Wales. Unlike the West Midlands, South Wales is a development area; the investment will thus qualify for additional government support, as well as being eligible for technology related grants.

Structure

On the face of it there appears to be a contradiction here. It is instructive to ask in what respect the present Conservative industrial policy differs from that of the last Labour Government after the departure of Mr Benn from the industry Department.

No doubt the Tories could argue that the whole structure of subsidies under Labour operated primarily as a social support system. As Sir Keith implied, dependency via subsidies became a way of life for British industrialists who rarely went to the wall in 1974-79 provided they were big enough to raise the spectre of lost jobs, with consequent potential for lost votes.

Outside the lame duck sector, grants became a substitute

for more contentious forms of intervention in industry. As the will to impose dirigiste solutions began to wane, an escalation of the subsidy race seemed a convenient, vote-winning approach to industrial and regional policy.

Nobody, in contrast, could accuse the present government of running a comparable social support system for lame ducks, or claim that Mrs Thatcher has balked at contentious decisions affecting industry's survival.

Dilemma

But given the Government's apparent radicalism and the lack of serious parliamentary opposition, why is the industry Act structure, though partly pruned, still in being? And why are ministers in the new combined Department of Trade and Industry going through verbal gymnastics to justify a Labour-style policy of backing high technology "winners," with all the risks that this entails?

The fact is that the rationale for such an approach has been diluted. And the government now confronts, in the West Midlands, a contradiction that will not go away. Meanwhile civil servants are considering patchwork solutions, such as more specific targeting, which boil down to a more modest version of the discriminatory principle that Sir Keith Joseph attacked.

More selectivity has also been canvassed, which in practice means executive discretion and thus uncertainty for industry. Nothing better illustrates how pressure on public expenditure becomes self-generating. And the irony is that in Lucas's case the grants appear not to have been a crucial factor in the investment decision. Here, then, is the case for outlining both a radical and a Tory policy in the White Paper on regional policy that is due later this autumn.

THE countdown has begun for one of the biggest transfers of public assets to private hands ever made anywhere in the world - the stock market flotation of 51 per cent of British Telecom (BT).

The planned sale - which the Government hopes will realise around £4bn - re-issues a mass of thorny issues which are already deeply pre-occupying Whitehall. The City and BT itself. Solutions must be found quickly if the shares are to be sold in about a year's time, as the Government timetable dictates.

The Government believes that privatisation will inject fresh dynamism into BT's commercial performance by substituting the discipline of the stock market for the yoke of Whitehall control. "I'm in the business of opening the doors of cages," says Mr Kenneth Baker, Minister for Information Technology at the Department of Trade and Industry.

But the nature of the beast which he and his colleagues will be leading to market is far from clear. They must yet take a series of critical decisions, in which a delicate balance will have to be struck between maximising the sale proceeds and the broader objectives of telecommunications policy.

Among the key questions are: How far will BT continue to dominate Britain's telecommunications market?

Will BT look like a pedestrian utility, attractive mainly for its dividend yield, or more like an exciting growth stock with big potential for capital appreciation?

What will be the impact of the new regulatory framework, designed to ensure that BT acts fairly towards both its customers and its competitors?

Who will buy shares in BT and how will the issue be structured?

Will a privatised BT be more or less likely to benefit the rest of Britain's telecommunications industry?

BT is one of Britain's largest industrial enterprises, with more than 240,000 employees, a turnover of £8.6bn and net assets valued at a historic cost basis at £9.3bn. It reported profits of £385m, though the figure would have been nearer £1bn if it had not applied supplementary depreciation of more than £400m.

The organisation dominates almost every aspect of Britain's telecommunications industry except manufacture of equipment, for which it is by far and away the country's biggest customer. In spite of the Government's liberalisation programme, launched two years ago, it still faces no serious competition in its major businesses.

Mercury, the privately-owned consortium licensed to operate a rival communications network, is still in its infancy. Though the Government has acted to curtail BT's former monopoly over subscriber equipment and services, the telecommunications industry's extensive distribution channels and marketing muscle give it a powerful advantage over potential competitors.

But BT faces some big obstacles, which take years to overcome. While it has taken some long overdue steps to install proper management and financial controls since Sir

The sale of British Telecom

BT: the 51 per cent solution

Guy de Jonquieres and David Freud examine the issues raised by the £4bn privatisation package

George Jefferson became chairman three years ago, it still suffers from a deeply ingrained bureaucratic attitude among middle management and from

Obstacles, which may take years to overcome

a legacy of under-investment.

Its network is the fourth or fifth largest in the world, but is burdened with huge amounts of obsolete equipment - some of its exchanges are as much as 40 years old. It is trying to speed up its modernisation programme but still lags behind many of its European counterparts: its investment on a per capita basis last year was just over half of that in West Germany and only two-thirds of that in France. Its recent problems stem less from lack of funds than from the practical difficulty of speeding up delivery and installation of modern equipment it needs.

The Government recognises that once BT is cast loose from the public sector, a new regulatory mechanism will be needed to prevent it from abusing its de facto monopoly. The exact way in which the mechanism will function has yet to be decided and is a key issue for BT management, competitors, prospective investors and consumer groups alike.

The first clear indication of the Government's intentions came later this year, when it issued a licence setting out the terms on which BT may operate. Its main provisions will include the obligations on BT to continue unprofitable but socially desirable services, such as call boxes and 999 calls, and the conditions for inter-connection between its network and those of its competitors.

The Government will also be relying heavily on another, novel method of regulating BT by imposing price constraints during the first few years of private ownership. The method, originally proposed by Prof

Stephen Littlechild, a UK telecommunications economist, will keep annual tariff increases on a variety of BT services below the inflation rate.

Decisions have yet to be taken on the services to which the formula will apply and on how far BT's permitted tariff increases should be pegged below the rise in the retail price index.

Much will depend on how effectively the new rules are enforced by the planned Office of Telecommunications (OfTel), which will become active once the Telecommunications Bill becomes law next year.

OfTel will be empowered to monitor competition - and particularly BT's behaviour - and to direct offenders to stop abusive practices. But it will have a staff of only about 50 people, and the choice of its director-general will probably be critical in determining how energetically it pursues its role. BT and its prospective new owners would clearly prefer the lightest possible regulation, so that it can present itself as a high-flying company in a growth industry with good long-term prospects.

It also wants a clean balance



a more than even chance of the price rising sharply on stock exchanges after trading begins. If that happened, the public outcry over Wall Street's profiteering at British taxpayers' expense could make the future over last year's flotation of Ameriham International look like a vicarious tea-party.

An alternative is to sell BT in several tranches, possibly three over the same number of years. But this approach also has its problems. The hardy-core would be reluctant buyers of the early tranches because they would know that more of the same stock was to be unloaded on the market later. Some more exotic options have also been mooted, such as giving preference to BT subscribers or buyers of special gilts issues. But few of these seem practical or of much more than marginal value.

It is too soon to say how - if at all - privatisation will affect BT's business strategy. It has already responded to liberalisation.

The Government has set itself ambitious targets

tion by starting to re-align its tariffs more closely with costs so as to reduce the subsidy from profits. Long-distance and international services to loss-making local calls, by dividing its major businesses into profit centres and by expanding its marketing effort.

BT seems certain to remain the dominant distribution channel for subscriber equipment and services for many years to come. Senior managers claim that its enormous buying power will enable it to foster the development by British companies of new products and services which can be sold internationally. They argue that it can play a similar role to Marks and Spencer, the British retailing chain which has established close links with a wide range of UK manufacturers.

It remains to be seen whether this patriotic vision can withstand the pressures which a privatised BT will face to maximise profits. So far, the Government has managed the liberalisation rules to ensure that most of the telecommunications products approved for competitive supply are made in the UK.

It may be difficult to maintain this standard for much longer, and both BT and its principal suppliers have a long way to go before they match Marks and Spencer's standards of quality and price. Only last spring, Sir George Jefferson publicly admitted the performance of UK telecommunications manufacturers, and hinted that unless it improved dramatically, BT would buy more from overseas suppliers.

It seems unlikely that BT will start manufacturing itself. It is not keen to shoulder the costs and management responsibilities, and its own studies have convinced it that there will be much less money to be made in the future from making electronic equipment than from marketing software for it and marketing it.

The Government has clearly set itself extremely ambitious targets. It wants a world-class national telecommunications industry; a genuinely competitive home market; a more efficient and commercially aggressive BT; satisfied telephone subscribers, and the maximum price for its BT shares. Reconciling so many different objectives will be no easy task.

HOW BRITISH TELECOM COMPARES

	British Telecom	American Telephone	France	West Germany
Revenues 1982	£6.4bn	\$45.1bn	Fr 53.7bn	DM 27.9bn
In \$ at 31.12.82 rates	\$10.3bn	\$45.1bn	Fr 53.7bn	DM 27.9bn
Cap. investment 1982	£1.6bn	\$16.8bn	Fr 27m	DM 11.1bn
In \$ at 31.12.82 rates	\$2.6bn	\$16.8bn	Fr 27m	DM 11.1bn
Employees, end 1982	246,000	822,000	164,000	188,000
Subscriber lines, end 1982	19.4m	84.7m	19.5m	23m
Employees per 10,000 subscriber lines	127	97	84	82
Revenues per employee (\$)	4,200	7,900	4,900	6,200
Cap. investment per subscriber line (\$)	133	198	205	204

* AT&T Long Lines and Local operating companies only.
† Telecommunications operations only. FT estimates

Men & Matters

Eyebrow power

Sir Percy Cradock will provide an interesting contrast to Sir Anthony Parsons, who is to succeed as Mrs Thatcher's in-house foreign affairs guru at 10 Downing Street.

Where Sir Anthony tends to be forthright in his dealings Sir Percy never uses two words where one will do; and, if he can help it, he uses none at all.

Where Sir Anthony is an enthusiast with a strong sense of humour and a bon vivant, who in his earlier years as an army officer in Trans-Jordan was given to duelling in the mess with bottles of champagne, Sir Percy is demure, immaculate - indeed a prototype Foreign Office Mandarin.

Sir Percy's handling of the current negotiations with China over the future of the rather nervous colony, Hong Kong, has won admiration both from his colleagues and from the Chinese who see him as a tough, abrew, and skilled diplomat.

He has the unerring habit of raising the eyebrow as a sign of displeasure which, his colleagues say, can be as effective as if he had banged a fist on the table - something it is hardly possible to imagine him ever doing by the way.

In the past two years the regime of Deng Xiaoping, which Sir Percy has been watching from the walled compound of the British Embassy in Peking, has appeared to be in trouble from time to time. Sir Percy has bucked the trend, however, forecasting that all was well. So far he has been proved right.

His experience is predominantly in China and in East-West relations - which suggests that Mrs Thatcher sees the talks over Hong Kong, and relations with the Soviet bloc, as the dominant foreign policy issues now that the Falklands

campaign is over.

Before becoming ambassador in Peking in 1978 Sir Percy, who will be 60 at the end of October, served as British envoy to East Germany. He was also leader of the UK team at the comprehensive test ban discussions at Geneva.

Racing cert.

Electoral specials, as known and loved in Europe and North America, are less a part of the democratic process in Africa.

Nevertheless, Kenya has just taken a significant step towards electronic election coverage. An enterprising Nairobi company, with the co-operation of the government, has set up shop temporarily in a city hotel and is offering, "Kenya's first computerised election results service."

For £7.50 customers are promised an up-to-date computer analysis of all results of the national elections which took place yesterday.

What will not be available, however, is the percentage swing for or against the government. Kenya is a one-party state and will confidently predict another five years for President Daniel Arap Moi and his Kenya African National Union Party.

Pounds shrinker

With the portable computer maker Osborne going bankrupt, and its bigger sister Apple in heavy water for the first time since setting the micro-computer pace in the 1970s, California's silicon valley is no lotus garden these days.

Allen Michaels, founder and president of the three-year-old company Convergent Technologies, is as worried as the other bosses. Convergent's sales mushroomed from \$350,000 in 1980 to \$3m in 1982. However, last month the company's growth slowed abruptly

as customers held back on orders for the current product line.

Michels has reacted by instituting an austerity programme. It starts by catching the six top executives with a 50 per cent pay cut. The next step is to rank employees - with a view to dismissing non-performers. "We aim to eliminate the bottom 10 per cent," says Michels.

No one can suggest, however, that Michaels is not backing up his words with actions. He has promised to match the company's percentage savings in expenses with a similar percentage loss in his personal weight.

He argues that his own health and the health of his company will benefit in tandem.

Kinnock ready

Some of the preliminaries to the famous victory at Brighton next Sunday when he will be appointed leader of the Labour Party are engaging the attention of Neil Kinnock.

He appeared in solitary splendour on the manicured lawn in New Palace Yard, Westminster, yesterday to be photographed in a variety of poses with Big Ben, Westminster Hall, and other well-known features of Parliament appearing prominently in the background.

Kinnock showed a clear preference for being photographed with his arms folded. The psychologists may read something into that - but now that he has a commanding lead in the leadership contest he need not worry about keeping his fingers crossed.

Unobserved

Switzerland's unique status as a privileged non-member of the International Monetary Fund

has been underlined once again during this year's proceedings.

Normally the annual meeting of the IMF is attended by a varied crew of "observers," such as development banks and UN related institutions, and Switzerland.

This year all that has come to an end. Even the European Economic Community delegation, which has observer status at the policymaking, Interim Committee of the Fund, was packing its bags last night for home ahead of the annual meeting proper which starts today.

Behind the decision to cut out observers apart from Switzerland lies the unseemly wrangling which began around 1979 about Arab attempts to get the Palestine Liberation Organisation a seat as an observer.

The issue had virtually disappeared by last year's Toronto meeting of the IMF. But just to be on the safe side it was felt that the best thing to do was to eliminate all but one (rich) observer for the future.

No story

A thief who stole a replica of The Challenge 1983, limited edition book on the America's Cup from an inn at Newport, Rhode Island, at the weekend thought he was getting a souvenir of the great event worth \$1,000.

Unfortunately for him the book is still being written, and he gained was a leather-bound binding and souvenir case.

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Observer



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Letters to the Editor

Unitary tax for multinationals

From Mr T. Tanbueck
Sir—Your editorials (September 19 and 26) on unitary tax rightly underscore its new importance but raise far more questions than they address or answer.

It's true that a few American states impose this tax, but the recent approval by the U.S. Supreme Court suggests it may shortly be somewhat more widespread—although it has been common enough for decades, and can be dealt with if one takes care.

Time and space do not permit a full explanation of all the issues, nor an analysis of the implications for company operations. The U.S. relations between the U.S. and UK, and/or fiscal policies of other countries toward multinational companies.

Since it is to say that the court's decision turned on a distinctive question of U.S. constitutional law regarding our unique federal system, so there is very little that can be done about it unilaterally, regardless of protestations made by your own Government, and Congress has been consistently unwilling to act because of pressure from the states.

Accordingly, the complex issues of national/state relations may not be resolved in a manner acceptable to foreign governments, which may feel compelled to retaliate, for example by upsetting existing tax treaty relations to the detriment of all business. Your paper (September 22) mentions "retaliation" in this context, and that could be most unfortunate.

As a former president of an international trading company and as an American tax lawyer I know that many of the problems created by "unitary tax" can be eliminated or minimised by careful tax planning. Hopefully such planning, plus moderation on the part of government, will minimise the disruption caused by conflicting governmental policies.

T. D. Tanbueck
Wald, Harknider and Ross,
24, Upper Brook Street, W1.

From Mr J. Liddiard

Sir—It is somewhat ironic that I write to disagree with Frances Stewart (September 22) who urged the adoption of unitary tax. The company for which I work has actually had its California tax reduced under the unitary system.

The argument that unitary taxation produces a consistent system of taxation applies only to U.S. tax. Any system of taxation that allocates profits on a rational, and uniform basis must be acceptable to any taxpayer. To believe, however, that the conflicting requirements of Governments to raise revenue would result in such a uniform application is, with respect, simplistic. The inconsistencies apparent in the present system would also be mirrored in any system of unitary tax.

It has taken over 40 years to establish the present limited system of double taxation treaties, all of which are based on the arm-length system of

allocating profit amongst nation states. In describing the superlatively attractive merits of unitary tax, Frances Stewart ignores the practical problems inherent in its implementation.

The basis of calculating profits under any system of taxation is a series of compromises and this is especially so with regard to unitary tax. California chooses to measure profits based on three factors—sales, property values and sales prices. It is no mere coincidence that labour costs and property values in California are amongst the highest in the world. If a developing country were to adopt unitary tax, it would be unlikely (and self-defeating) to use factors in the calculation of profit "attributable" to its territory. California's factors are designed to allocate profits to high wage, high cost economies. The adoption of

different factors and the differential weighting given to the factors would inevitably result in a world-wide system of tax that, manifestly, would not result in a "consistent basis for unitary taxation." It is unrealistic to expect a Government in a developing country to adopt a system of taxation which would reduce its revenue.

Even within a state itself, unitary taxation can cause a distorted burden of taxation. If a multinational were to start up a new business in a state, it could expect to incur losses in those early years in which it was developing the business. The existence of a similar, but profitable, business outside that state, however, would cause profits under the unitary system to be attributed to the state and taxed there. This would contrast with the position of another resident who also incurs start-up losses but who does not earn any profits outside the state and, consequently, would not pay any tax. It is difficult to ascertain what logical argument can be put forward to support such a capricious outcome.

Frances Stewart accuses multinationals of manipulating profits thus putting poor countries at a disadvantage. My experience is that the vast majority of multinationals do no such thing. For those that do, the solution is not to abandon the present system but to apply it more effectively. It is the system of the present system not its basis that Frances Stewart should attack. Countries with a "weak administration" (as Frances Stewart phrases it) might even fail to apply unitary tax properly.

It is interesting to note that what the Californians realised that worldwide unitary taxation caused my company to reduce its taxation, it then claimed that our non-U.S. businesses were not unitary with the Californian business and so go back to 1971 to recalculate our profits.

If the major proponent of unitary tax does not apply the system within its own borders in a uniform manner what hope is there that there can be any agreement between countries?

John Liddiard,
41 St Andrews Road,
Coulston, Surrey.

Splitting BL into tiny units

From Mr D. Dale
Sir—Mr Cecil Parkinson recently inspected one or two BL factories and met senior BL managers in connection with government plans for the privatisation of certain "product companies" established within BL for the purpose of introducing private capital into BL, but to split it up into what are tiny units by motor manufacturing standards is foolish in the extreme.

The costs of design and development of a new model, and even of a new engine or gearbox are not so enormous that these insignificant companies could not possibly bear them. Jaguar, in spite of its recent very creditable performance, is still much too small to

survive and the thought of splitting off Land Rover and Freight Rover (the latter makes only Sherpa vans all of whose major mechanical components are car-sourced) is ludicrous. The base of the Vauxhall business is still the distribution of the "tied" parts for the product companies which might well decide to do this by other means. Leyland Vehicles now makes excellent trucks (there is now no need for any British user to buy foreign vehicles on account of quality) but its main trouble is a lack of volume. In the last "good" year of the British truck market, Leyland made 28,000 trucks while Mercedes made 128,000. There is indeed little mutual value between trucks and cars so far as sourcing of components and assembly are concerned, but the commercial vehicle distributors are often better at selling "panels" than car distributors and this is a valuable link.

Apart from shortcomings on the production side, a major omission of the BLMC era was

Why has Audi joined Volkswagen? Why are Honda and Austin Rover working together? Why, in a similar field, have all the large Western aero-engine makers, including Rolls-Royce and Pratt and Whitney just announced a joint design venture for the next generation of engines? European and foreign competitors must be rubbing their hands at the prospect of the dismemberment of BL.

If the Government persists in this policy, I hope that the potential buyers of the shares will realise that they would be buying a pup, a pup that could never survive amongst a pack of hungry wolfhounds.

After all the trauma that has been suffered already, what is again at stake is the survival of the only British-owned motor manufacturer of national significance, and the component industry that goes with it.

D. H. Dale,
97 Hildersstone Road,
Malt Heath,
Stoke-on-Trent.

Outsiders on the inside

From Mr N. Stacey

Sir—The appointment of "outsiders" to companies has gathered force recently when several of them were placed on the board of Lloyd's of London. This development is part of the information revolution which instructs that, increasingly, most people's business—or nearly so. The participation of outsiders often makes for more and better informed judgement by supplementing routine thinking and accepted wisdoms. Organisations working in areas of public interest are likely to benefit particularly from the counsel of non-executive outsiders.

The appointment of outsiders as advisers to public company boards has a long history and gained wide currency in more recent years. The time may now be propitious therefore, to examine opportunities for introducing "outsiders" on councils, courts, or boards or professional trade bodies, irrespective of their origins which may be enshrined in Royal Charters or in the Companies' Acts. A significant contribution by outsiders awaits to be made in institutions and societies so as to be able to deny Bernard Shaw's maxim that—"all professions are a conspiracy against the laity." If the accountancy bodies had outsiders on their councils, I wonder if the unity of the profession might have been accomplished earlier? Outside council members might successfully contribute to the lawyers and accountants' deliberations on the delicate question of marketing their professional services.

"Outsiders" parvey fresh ideas or look of old ideas in a different way. They are also in touch with worlds different from those of practising members of institutions. The appointment of outside advisers invariably results in the disclosure of more and better information and in its wider dissemination; such a step would help to gradually reduce opportunities for misunderstanding all round. It would contribute to the growth of mutual understanding.

Nicholas A. H. Stacey,
Reform Club,
Pall Mall, SW1.

A lender of last resort

From Mr A. Magee

Sir—Samuel Brittan's article (September 8) supporting Prof Lipton's proposal for a lender of last resort is a timely reminder of the need for some kind of controlling intervention in the world credit markets by a recognised central authority. A lender of last resort, however, is only half the story and is only seeking to provide a remedy for the present debt problem rather than looking for ways to prevent future recurrences.

The role of the central authority should be to smooth cyclical changes in international lending and borrowing needs. It is generally recognised that the rapid accumulation of debt in the last 10 years (demonstrated by the graph accompanying Mr Brittan's article) has been due mainly to two factors—Opec surpluses and low demand for capital in the developed nations because of the recession. This increased the supply of credit to the developing world which wel-

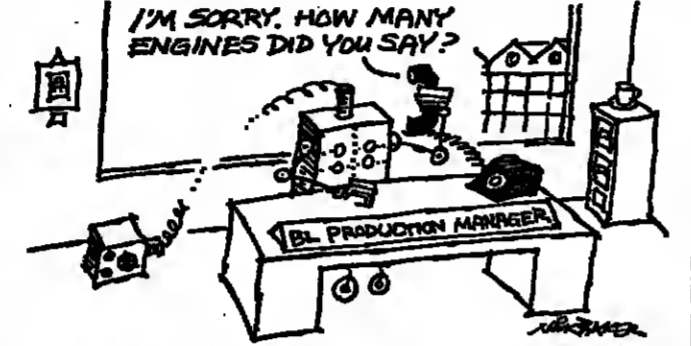
comed it gladly. Country borrowers cannot be expected to impose limits on their borrowing which should theoretically be determined by their own experts. This excess supply could have been absorbed by the proposed central authority, thus allowing third world debt to grow steadily, and then release it later when the customary famine follows the feast of lending.

The solution to the problem of international debt must be a co-ordinated one which embodies both the supply and demand aspects of credit. A recent paper by Dr Shelagh Heffernan of the City University Business School which develops a general model of the supply and demand for sovereign loans would appear to be the first attempt to provide a basic framework for the whole international lending process.

A. D. Magee,
A. Springpark Drive,
Beckenham, Kent.

smaller part for gold than for most commodities. Michael H. Cusack,
Loring & Cruickshank,
Piercy House,
Copthall Avenue, EC2.

The market is ruled, OK?
From Dr D. Pollard
Sir—Are we to expect the anticipated reduction in interest rates to coincide as usual with the Conservative Party conference, showing once again that the market is ruled O.K.?
(Dr) D. Pollard,
41, Oakfield Crescent,
Blaby, Leicester.



Ceasefire in Lebanon

'Enough, enough, enough'

By Patrick Cockburn in Beirut

THE CEASEFIRE in Lebanon is largely an agreement to stop pulling triggers. "Enough, enough, enough," said Mr Chafic Wazzan, the Prime Minister, as he announced the end of the three-week-long war late on Sunday.

For the Lebanese it is enough that, at least for the moment, the artillery duels among the mountains which ring Beirut have ceased. Smoke was still rising yesterday from where shells had set alight the pine woods on the steep slopes above the capital, but otherwise there was every sign that the truce was being observed.

In the streets of Souq al Gharb, the ridge top town which has been the focus of battles between the Lebanese army and Druze militiamen, the soldiers were understandably pleased that the shell and rocket fire had stopped.

"Only a few snipers this morning," said an officer. But most of his men still looked wary as they cleared the road of tree branches brought down by the explosion of artillery rounds the night before.

It seems that the ceasefire will hold because the Syrians and the Druze have achieved most of what they want. Damascus has gone far to all the political vacuum left when the Israelis pulled back to the Awali River at the start of September. The Druze militiamen have devastated and driven out the Christian forces which had invaded their mountains on the heels of the Israeli army last year.

At the same time the U.S. has shown that it would not allow President Amin Gemayel to be overthrown. A week ago when Syrian and Druze artillerymen poured fire into Souq al Gharb amid a series of powerful ground attacks, General Ibrahim Tannous, the Lebanese army commander, told the Americans that he would have to evacuate the town unless their offshore fleet provided naval artillery support.

They did so and the Government has clung onto Souq al Gharb, which has achieved a symbolic importance out of proportion to its strategic significance. Since then there has been little ground fighting, though plenty of artillery battles, as Syria and its Druze allies manoeuvred to extract the best ceasefire deal possible. But they knew they could not overthrow



Fighting in the Souq al Gharb, east of Beirut

The Government, which offered to resign yesterday to aid the reconciliation process.

Few on either side of the battle line see the ceasefire as more than an armed truce, a recognition of a new balance of power which has emerged after almost a month of fighting. The national reconciliation dialogue now to take place between all the different Lebanese leaders is to be held in Saudi Arabia. That is a measure of the dis-

not succeeded in allowing the Lebanese army to hold most of the ridge line on the eastern approaches to Beirut (there is little doubt that air strikes by U.S. aircraft would have been used. French Super Etendard bombers attacked Syrian gun positions last week after the French section of the multinational force came under attack.

For President Gemayel, the presence of the U.S. fleet is deeply reassuring as a guaran-

tee against military defeat. The problem is that President Gemayel's resources are so slender that he is rapidly becoming totally dependent on his alliance with the U.S.

The Syrians do not seem too displeased with this. They have long experience of Lebanon's political morass and its bidden dangers, something they seem to believe President Reagan may be going to find out about the hard way. The gun of the Sixth Fleet may deter Syria from disposing of President Gemayel entirely, but Damascus does not appear intimidated by American firepower. President Assad has always been far more nervous of Israel than of the U.S.

It was after all an Israeli withdrawal which precipitated the crisis of the past three weeks. The pullback was a recognition of Jerusalem's

integration of Lebanon itself, and little is expected from the meeting.

The Government, on President Amin Gemayel's own admission, only holds 10-20 per cent of the national territory. Lebanon itself is little more than a geographical expression. The Israelis hold the south of the country, the Syrians the north and east and their Druze allies the crucial Central Mountains overlooking the capital.

The 34,000-strong regular army has fought well, better than many foreign observers had expected. But the critical new addition to all political equations in Lebanon is the support President Reagan is now giving to President Gemayel. A massive armada of naval vessels is cruising off the Lebanese coast, including two aircraft carriers and a battleship. If the naval bombardment bod-

difficulties in roping with the dangers of Lebanese politics and Israel has remained passive during the recent fighting.

This may not last. Already there are calls from General Ariel Sharon, the former Israeli Defence Minister sacked after the report on the Chatilla massacre, for a more forward policy in Lebanon. It may not be long before Israel once again begins to intervene militarily north of its line along the Awali.

The threat of Israeli intervention is not the only factor which makes the present balance of power unstable. Lebanon is only half the size of Wales and within this small area 17 different sects vie for their own security, if not predominance. The Moslem Sunni and Shia sects, the Druze, Maronites, Greek Orthodox and Greek Catholics all try to support their interests by a web of domestic and foreign alliances—their own private armies are still intact.

For instance, the 1,200 marines the multinational force stationed at the airport have recently been in their bunkers because of sniper and rocket fire from nearby Shia Moslem suburbs, not because of Syrian or Druze artillery shells. The Shia are fighting their own largely private war with the army and if the Government seeks to take control of their strongholds a new round of fighting could erupt.

In one way the U.S. military intervention in Lebanon does resemble Vietnam in more than a rhetorical sense. In both cases Washington sought to prop up a very fragile and not very popular government, one which in Lebanon is considered an instrument of Christian domination by many Moslems, who form the majority of the population.

President Gemayel, who faces so many enemies and has alienated so many potential friends, considers that his one strong card is his alliance with the U.S. He has little else going for him and over the last month he has sought desperately, but with ultimate success, to internationalise the crisis. President Reagan cannot now back away from his commitment to give substance to the regime's somewhat shadowy authority, but in doing so he will find it next to impossible to keep his footing in Lebanon's political quicksands.

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Middle class machismo

From Mr R. Graffey-Smith

Sir—As the date of the annual conference approaches, certain factions in the Tory party as, as usual, seeking to influence the style of motives, Mr Deane, the Conservative Party's spokesman in the Press, "law and order" and "the rating system" stand out. The former may be regarded as a useful pressure release valve for the Tory party's frustration of the cholerick Right. Debate on the latter, however, still tends to suffer from inadequate venting of the same pressure group.

They should be discouraged from taking a leaf from the Prime Minister's book and endorsing the findings that TINA applies as much to the Tories as to the Labour Party. The White Paper claim that only 35 per cent of the voters actually pay full rates. The traditionally low turn out in local elections of around 40 per cent leaves

the democratic process fully at the disposal of a highly motivated 55 per cent whose composition has variously been described as "wretched" and "skinned alive."

Every country in the Western world has a property tax of some sort and it is inconceivable that the government of whatever hue would forever abandon such a clear cut method of raising money. The right to control revenue, subject to the sanction of such electorate as turns out, is the essence of local government accountability. The volunteers who make up the body of elected councillors would see little purpose in being merely distributors of government subsidies. Such quinquages drawn from a different covert. Conservatives are better advised to pursue their philosophy of the property owning democracy through the sale of council houses than to set about destroying one of the few remaining bastions of defence against the creeping centralisation of the powers of the state.

Roger Graffey-Smith,
4 and 6, Copthall Avenue,
Morpeth, E.C.

Pensions and early leavers

From the Chairman,
Martin Paterson Associates

Sir—Mr Baker (September 22) can see no reason why an employer should be expected to "inflate" the pension of an outgoing employee and makes the familiar claim that to do so can only cause a considerable increase in cost, perhaps at the expense of the remaining members.

In fact, what has been proposed is not so much to inflate these pensions as to provide some protection against their shrinking until they become only a miserable relic of their former size by the time the first payment is due. To do this costs no more than it would cost if we had no inflation at all. And in these circumstances Mr Baker would surely not suggest that frozen pensions be trimmed back each year?

When looking at the matter, one important fact is often overlooked; namely, that inflation itself creates, at least in large degree, the means for

preserving the value of these pensions, and in that sense, as I have already implied, it does not cost more to stop frozen pensions melting away.

Martin Paterson,
10 Buckingham Place, SW1.

The intrinsic value of gold

From Mr M. Coulson

Sir—In the gold survey (September 21) your Commodities Editor says that the metal "still has an intrinsic basic value, founded on the rising cost of extracting new supplies from deep below the earth's surface."

In the June quarter, the average cost of production of the South African mine varied from below US\$200 to almost US\$600 an oz. With variations like this, how can mining costs alone determine the intrinsic

value of gold, any more than they do of diamonds? True, no company can in the long run produce profitably at a price below its marginal cost; but to extend this elementary principle into a general market theory is absurd. If gold has an "intrinsic" value, it is surely that price at which one put would equal "industrial" demand; in other words, the price at which supply and physical demand would be in equilibrium. Production costs are only one part of any theory of value; and, I suspect, a much

smaller part for gold than for most commodities. Michael H. Cusack,
Loring & Cruickshank,
Piercy House,
Copthall Avenue, EC2.

The market is ruled, OK?
From Dr D. Pollard

Sir—Are we to expect the anticipated reduction in interest rates to coincide as usual with the Conservative Party conference, showing once again that the market is ruled O.K.?
(Dr) D. Pollard,
41, Oakfield Crescent,
Blaby, Leicester.

Coca-Cola sells wine unit for \$200m to Seagram

By Andrew Baxter in London

COCA-COLA, the world's largest producer of soft drinks, has ended its six-year flirtation with the headier world of alcoholic drinks by agreeing to sell its Wine Spectrum unit for more than \$200m.

Coke has signed a letter of intent with Joseph E. Seagram & Sons, a subsidiary of Seagram, the world's largest producer of wines and spirits. Wine Spectrum, which sells wines under the Taylor California Cellars, Sterling Vineyards and Monterey Vineyard labels, is the third largest producer and marketer of wines in the U.S.

Coca-Cola said yesterday that it had had no intention of selling Wine Spectrum until Seagram made it an offer it could not refuse. "This was a buyer-initiated offer. Management felt obliged to accept it," said Mr Carlton Curtis, Coca-Cola's manager of corporate communications.

Coca-Cola moved into the wine business in 1977. By last year Wine Spectrum accounted for less than 6 per cent of operating income.

Mr Curtis said the sale would allow Coca-Cola to concentrate on its main businesses where return on assets were higher - soft drinks, foods, and entertainment. The price for the sale would allow Coca-Cola to recapture its investment in the wine business.

Other U.S. corporate news, Page 19

South Korea delays nuclear plant projects

SEOUL - The South Korean Government plans to shelve four nuclear power plant projects at least until 1986, Energy and Resource Ministry officials said yesterday.

Several foreign companies had vied to supply reactors and other equipment for the projects, worth a total of \$5bn. The Government originally planned to start building this year.

The officials said the tentative plan also calls for a slow-down on four nuclear power plants being built by the U.S.-based Westinghouse. The completion date for two of them will be pushed back six months to mid-1986, and until September 1987 for the other two.

The officials, who declined to be named, said the delays were the result of lower than expected demand for power and effective energy saving efforts.

Sources said the plan also reflected the Government's policy of curbing the foreign borrowing South Korea needs to finance the power projects.

Two other nuclear power plants being built by Framatome of France will not be affected by the slowdown and are to be finished in 1987 and 1988. AP-DJ

U.S. to delay spending cuts

Continued from Page 1

cuts, which will revive charges about the "fairness" of the President's overall economic programme. According to their analyses of public opinion, the President will get full credit from the electorate for the economic recovery which is now under way only if he can neutralise the "fairness" issue.

The key fiscal issue which is still under debate in the White House is whether to include any mention of possible tax increases from 1986 onwards in next year's budget.

LEVEL OF IMPORTS STILL CAUSING CONCERN

UK current account improves

BY ROBIN PAULEY IN LONDON

BRITAIN'S balance of payments crept back into surplus in August, although the Government is now confirming the view of the Confederation of British Industry (CBI), the employers' organisation, that Britain's export performance remains weak in spite of improving world trade conditions.

Trade Department figures published yesterday show a surplus of £22m (\$33m) on the current account of the balance of payments in August compared with the substantial deficit of £190m in July and a healthy surplus of £412m in June.

Behind these rather erratic figures is a generally bleak picture. The total current account surplus so far this year is just under £300m, compared with the Government's budget forecast of a £1.5bn surplus for 1983.

Imports have been at a much higher level than expected and exports, other than oil, have failed to perform. An export-led recovery to replace the slowing consumer spending stimulus to the economy

UK BALANCE OF PAYMENTS, CURRENT ACCOUNT (£m)*				
	Current Balance	Visible Balance	Invisible Balance	
1981	+6547	+3112	-104	+3539
1982	+5428	+4805	-2485	+3309
1983 Q1	+779	+1764	-1958	+573
Q2	+313	+1490	-2144	+341
Jan	+146	+529	-995	+324
Feb	+204	+613	-734	+325
Mar	+721	+622	-225	+324
Apr	+196	+485	-785	+114
May	+353	+420	-626	+113
Jun	+276	+585	-423	+114
Jul	-190	+440	-790	+160
Aug	+22	+569	-707	+160

Source: Department of Trade. *Seasonally adjusted

is so far nowhere on the horizon. And the evidence is that the consumer boom went largely on imports, widening the balance of trade deficit.

However, August's figures were a definite improvement on July's exceptionally poor figures. Exports recovered from the £4.7bn in July (the lowest figure since January) to

beginning of this year. It falls to oil and earnings from invisibles, such as insurance, shipping, banking and tourism, to counter the consistently bad non-oil export record.

Oil production has been increasing during the past two months, rising to 3.1m tonnes in August (the highest in 1983 except for March with 5.0m tonnes). This took the oil surplus up to £569m, compared with £40m in July, while the August non-oil deficit was £707m, compared with £700m in July and £25m in June.

Invisibles continue to run a surplus estimated at around £160m a month.

Total exports to the European Community fell back by 2½ per cent in the three months June to August, compared with the previous three months, and by 9 per cent to the rest of Western Europe. This offset the growth of exports to North America by 2½ per cent in the period June to August compared with the preceding three months.

'Preferred' system must go, says Lloyd's group

BY JOHN MOORE, CITY CORRESPONDENT

A CONTROVERSIAL system of underwriting at Lloyd's the London insurance market, should be banned, it was proposed yesterday. It is claimed that the system has often been used to benefit the community's professionals, their families and business associates.

The recommendation to ban the system was made in a consultative document prepared by a Lloyd's internal working party. It could lead to extensive changes in the Lloyd's market.

The working party, chaired by Mr Alec Higgin, a former deputy chairman of Lloyd's, made its recommendation after hearing evidence and complaints from sections of the market that abuses in the system had taken place.

Lloyd's ruling council said yesterday that it agreed with the recommendation on the practice, which

has been called "preferred underwriting." It warned, however, that it was "concerned that in preventing the abuses that stem from preferred underwriting" it did not inhibit the freedom of the market "to engage in practices that are commercially proper."

In its report, the working party says that those that had made representations were concerned that when an underwriter accepted business for more than one syndicate - the units into which the 21,601 members of Lloyd's are grouped - he might prefer "one syndicate by diverting to it the better business or diverting away from it the less good business."

Often the favoured syndicate has consisted of a small number of individuals, including the family of the manager of the syndicate and his relations and business associates.

But the working party said that it is not always the case that the favoured syndicate has been the smaller of the two.

The working party has concluded that the duty in law of Lloyd's underwriting agents (who look after Lloyd's members' affairs), to their principals (the underwriting members) is so clear and so strict as to be incompatible with preferred underwriting.

It said that it recognises "that there may be difficulties in establishing whether one syndicate is being preferred over another." Where there was doubt, cases should be referred to the council for its consideration.

The working party has also recommended a tough system of "positive" appraisal of candidates seeking appointment as underwriters working to the Lloyd's market

Thatcher selects new HK adviser

By Alain Cass in London

MRS MARGARET THATCHER, the British Prime Minister, has chosen Sir Percy Cradock, Britain's Ambassador in Peking, as her next foreign policy adviser. The move suggests that the future of Hong Kong has become her most important bilateral concern.

Sir Percy will succeed Sir Anthony Parsons, who is retiring in December. He is also to take up a special appointment in the Foreign Office as deputy Under-Secretary with responsibility for negotiations on the future of Hong Kong.

Mrs Thatcher's decision to share her foreign affairs adviser with the Foreign Office is likely to be interpreted as a conciliatory gesture towards a government department of whose performance she has been scathing in the recent past.

Sir Anthony, the first foreign affairs adviser in Downing Street, was appointed shortly after the Falkland Islands campaign last year. His appointment was widely interpreted as a snub to the Foreign Office, which had just lost Lord Carrington, the Foreign Secretary who resigned after the outcry over Argentina's invasion of the Falklands.

Saatchi in U.S. offering

By Dominic Lawson in London

SAATCHI & SAATCHI, Britain's biggest advertising agency, is to make a public offering of up to 4.83m shares in the U.S. Yesterday afternoon the company filed its preliminary registration statement with the Securities and Exchange Commission in Washington. Saatchi is aiming to be only the third UK listed company to fulfil the requirements of the SEC for a sponsored public offering in the U.S.

In accordance with SEC regulations, neither the company, nor its advisers, Morgan Stanley, would elaborate on the official statement. But it is believed that the decision to go for a U.S. offering, taken about eight months ago, was motivated by U.S. institutions' interest in the shares. Last Friday, Saatchi's share price put on 50p to an all-time high of 540p because of U.S. buying.

Yesterday, Saatchi's shares fell 15p to 525p. The U.S. offering will probably take place at the end of October, and will be pitched at whatever is the prevailing UK market price. At yesterday's close, that would raise up to £25m (\$37.25m) for the company. The money will initially be put on deposit, but it is clearly earmarked for expanding Saatchi's U.S. interests, possibly through acquisition.

Saatchi yesterday announced unaudited nine months results for the period to June 30 1983. These showed turnover up from £182m to £457m and profits of almost £25m as against £4.1m.



Sir Percy Cradock

Although Foreign Office officials plainly still do not like the idea of a foreign affairs adviser on the staff at Number Ten, they point out that Sir Percy, like his predecessor, is one of them and will spend half his time in the department.

The announcement, made yesterday in London and Peking, follows last week's fourth round of talks between Britain and China over Hong Kong.

The talks appear to be blocked on the issue of sovereignty over the British colony after 1997. That is when the 99-year lease, concluded with China in the last century for most of the territory, expires.

Confidence in Hong Kong has recently plunged to an all-time low. Peking has delivered a series of public attacks on a British adviser, following the talks, while maintaining that it will take control of title and administrative sovereignty of the territory in 1997.

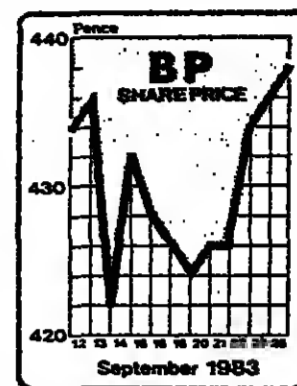
Sir Percy, who was due to retire this autumn when he reaches his 60th birthday, will return to London in December. He will have two offices, one in the Foreign Office and one in Downing Street, which indicates that Mrs Thatcher intends keeping personal control over Britain's Hong Kong strategy.

Sir Percy's successor has not been named. The front runners are believed to be Mr Richard Evans, currently Deputy Under-Secretary in charge of economic relations, and Mr Donald, who heads the FCO's Far East Department.

Men & Matters, Page 16

THE LEX COLUMN

Yankee Doodle Saatchi



The added ingredient which is more and more setting the leading advertising agencies apart from the Brand X variety is their ability to handle client accounts on a global basis. Several international companies have now announced, as did Beecham Group only last week, the replacement of teams of agencies around the world by a select few, appointed to handle advertising throughout their various markets.

Saatchi & Saatchi may not be regarded within the industry as quite the creative force they once were; but they still appear as confidently aggressive as ever in their pursuit of a global network to meet this corporate demand, a strategy taken an important step further by yesterday's filing of an SEC registration to be listed on the over-the-counter market in New York.

The listing should help Saatchi to dangle its share price as a carrot in front of U.S. employees, and the group has every intention of using its equity there as it does in the UK, where employees hold 30 per cent of the existing issue. At the same time, the expensive task of registration has been put to additional use with a stock offering to help the future growth of the U.S. workforce. At last night's 525p closing price it will inject about £25m into the group, which should leave net cash comfortably over £40m by year-end.

Pre-tax profits are heading for £11m or more this year, which at an actual rate of 45 per cent implies a p/e of 21, or rather less adjusted for the share offering. U.S. investors will be bombarded with impressive compound growth figures for 1971-82 to justify buying Saatchi at this premium over the 13 to 14 p/e range on 1983 earnings typical of the eight agencies already listed in New York. To judge from the shares' recent action, Saatchi's investment bankers might be preaching to the converted.

A successful completion to the Government's BP tender suggests that, with a debt choice of striking price, this method of sale can be almost all things to all species, including a few of the near-extinct stags, at least in a bull market. At 435p, the price was struck high enough for the Government to plume itself on an efficient piece of funding, and

low enough to leave a pool of unsatisfied applicants buying partly-paid stock in the market at a premium yesterday morning.

For a government with a stack of privatisation issues sitting on the shelf, it was important to rehabilitate the tender. Another fixed-price staggering extravaganza on American lines is probably not politically affordable, but another British flop might have added privatisation-by-tender to the list of ideas whose time had gone.

As it is, the very success of the sale inevitably revives doubts as to the necessity of underwriting an issue where the market was being invited to decide the price for itself on the basis of fairly reliable information, namely the market price of privately held BP shares. In this case, it was perhaps reasonable for the Government to have paid the protection money to ensure that it did not suffer if the market slid away from under the minimum tender price. The tender itself was only a device for making certain that the market does not escape in an upwards direction.

Hong Kong

Hong Kong's monetary authorities must be at their wits' end, wherever they are. A bold, if imprecise, pledge to produce an exchange rate more accurately reflecting the strength of the economy fell on wholly deaf ears over the weekend. The banks were then left with no option but to pursue the course which they had consistently rejected last week and lifted their prime lending rates by 3 per cent.

This stratagem may have helped

to settle the currency yesterday but it is obviously no lasting solution. When a currency exerts sufficient antipathy to fall 5 per cent in a day as the Hong Kong dollar did against the U.S. dollar on Saturday, even an interest rate squeeze as severe as that attempted by France before the last EMS realignment is not guaranteed to stop the rot.

The Hong Kong Government is now under considerable pressure to enlarge on its weekend statement. In particular, it needs to explain to the markets precisely how it could peg the currency to the U.S. dollar and to give some idea of the foreign exchange reserves available for the purpose. In the present climate, however, it also needs to define the level at which it would like the rate pegged and, assuming that is some distance from the present parity, how it proposes to get it there.

Markets

The Bank of England is still giving nothing away in the bill market. Yesterday morning, it went through the motions of inviting offers from the discount houses but soon reverted to its now established practice of arranging a sale and repurchase facility to take out almost all of a very large shortage.

The earlier facilities start to mature this week and the houses are keeping their fingers crossed that intervention rates will have been reduced in time for them to show a capital gain to compensate for the running loss they are currently showing on their book. If the Bank's dealing rates are still frozen at the end of the week, the bill market could start to look very sticky.

In gilt-edged, too, the Bank was running true to form. Friday night's reassuring U.S. money supply figures and a respectable set of UK trade statistics provided it with a receptive market into which to toss yet another convertible stock.

With the pressure on funding now considerably diminished, the Bank has no urgent need for cash. Gilt-edged sales during banking September probably topped £2bn, more or less ensuring an attractive sterling 143 figure. But the selling spree had exhausted the authorities' battery of stocks and a new tap will be useful as an instrument of market control, if for no other purpose.

World Weather											
	C	F		C	F		C	F			
Amsterdam	24	75	London	11	53	Madrid	26	79	Sofia	18	65
Algiers	28	82	Lyon	15	59	Moscow	10	50	Stockholm	16	61
Bombay	30	86	Paris	25	77	Norway	10	50	Switzerland	18	65
Calcutta	32	90	Prague	15	59	Ottawa	26	79	Taipei	17	63
Colon	30	86	Frankfurt	16	61	Perth	27	81	Tokyo	18	65
Hankow	30	86	Geneva	21	70	Manila	10	50	Yokohama	16	61
Hongkong	32	90	Berlin	28	79	San Francisco	17	63			
Manila	30	86	Brussels	20	68	Shanghai	20	68			
Peking	31	88	Hankow	17	63	Singapore	28	82			
Rangoon	30	86	Harbin	12	54	Sourabaya	28	82			
Shanghai	19	59	Heikou	12	54	Tientsin	20	68			
Singapore	30	86	H K Kong	23	73	New York	32	90			
Sourabaya	28	82	Kobe	18	65	Osaka	27	81			
Tientsin	21	70	Manila	18	64	Rice	28	82			
Yokohama	21	70	Amoy	23	73	San Francisco	26	79			
			Barcelona	25	77	Paris	27	81			
			Beijing	23	73	Perth	27	81			
			Je Kang	23	73	Porto	26	79			
			Las Palmas	34	93	Prague	17	63			
			London	25	77	Reykjavik	16	61			
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August/September 1983

INTERNATIONAL COMPANIES and FINANCE

Investigation at South Korean bank

By ANN CHARTERS IN SEOUL

SOUTH KOREA'S banks have been hit by yet another scandal involving more than \$200m in promissory notes said to have been illegally issued by employees of the Cho-Hueng Bank, the country's fifth largest commercial bank.

The Office of the Superintendent of Banks said yesterday that initial investigations of one branch of Cho-Hueng had revealed that improperly authorised commercial bills and paper had been issued by some of the bank's employees to two companies, Youngdong Development Promotion and Shinhan Cast Iron.

Mr Lee Hun-Heung, president of Cho-Hueng Bank, said that the bank's own auditors had

found that 167bn won (\$214m) in illegal promissory notes had been issued between February 1980 and September 15 this year. Of this total some 47.1bn won had been cashed and the bank was committed to honouring the rest, he said.

Of the total Youngdong, primarily a construction company with contracts outstanding in the Philippines, Malaysia, and Singapore, is said to have received 100bn won.

The president of Shinhan Cast Iron is reported to have left the country shortly before the bank's internal audit revealed the promissory note fraud, said Mr Hun-Heung. Ten employees of the bank are under investigation by the regulatory authorities.

although at least one of them has left the country, along with a former executive of Cho-Hueng Bank and the chairman and president of Youngdong.

The size of the apparent fraud is such that the Bank of Korea has had to underwrite Cho-Hueng's guarantee that it will honour the issued bills. The reported total exceeds the 110bn won total capital of the bank.

This is the third major scandal to hit the country's financial community in the past 18 months. During the summer the Myungsuong Insurance group was involved in \$155m of undocumented loans from a manager of the commercial

branch of the Bank of Korea—representing loans made but never entered into the ledger.

In May 1982 the multi-million dollar Korb market, scandal broke when \$350m in promissory notes were unexpectedly presented for payment causing the resignation of bank presidents and almost forcing some banks into liquidation.

This new incident raises once again serious questions as to the effectiveness of the regulatory authorities and the internal control mechanisms within the country's banks. Earlier this year the Government sold its controlling interest in the Cho-Hueng Bank as part of its policy of returning commercial banks to the private sector.

Nissan Motor reduces forecast

By Charles Smith in Tokyo

NISSAN MOTOR COMPANY expects pre-tax profits for the six months ending September 30 to fall by 35 per cent to around ¥60bn compared with the same period of 1981-82.

Profits for all the current year are now expected to reach ¥120bn, some 25 per cent less than for 1981-82. Nissan had earlier forecast profits for 1983-84 of ¥150bn.

Nissan's downwards revision of its profits forecast reflects higher than expected depreciation charges and some deterioration in expected foreign exchange earnings. Nissan used an exchange rate of ¥235 in the dollar in the first half of the current year but expects a rate of ¥230 in the second half and thus lower profits on dollar denominated overseas sales.

The increase in depreciation charges results from the heavy investments made by Nissan in 1981 and 1982 in expanding its overseas manufacturing and in improving its design and engineering capabilities inside Japan. The company invested ¥200bn in new plant and equipment in 1980 and ¥210bn in 1982. Investment this year is expected to fall to ¥180bn.

The reduced profits forecast is made despite a slight brightening in the outlook for sales. First half sales are estimated at ¥1,670bn, up 2 per cent from last year but sales for the full year are forecast to rise by 7 per cent to ¥3,400bn.

The company expects domestic sales to start picking up briskly from the autumn onwards. In the first half domestic sales were roughly equal to year ago levels while exports rose marginally.

Nissan's share of the Japanese car market fell slightly in 1982 under the impact of a determined sales drive by Toyota.

Restructuring for Kirsh Industries

By Our Johannesburg Correspondent

THE troubled South African retailing, wholesaling, and insurance group, Kirsh Industries, is to re-organise its corporate structure. The group, which manages the country's largest supermarket chain, Checkers, has asked its bankers to place values on the various operating companies within the group preparatory to the restructuring. The intention is to combine all the trading interests into a single company.

Kirsh is not itself quoted on the Johannesburg Stock Exchange. However it exercises control of Checkers, the furniture retail chain, Russell, the wine retailer and wholesaler, Union Wine, and the wholesaler Metro Cash and Carry (Metcash), through a series of quoted holding companies.

The major problem area is Checkers. In the year to July 2 the supermarket chain incurred a pre-tax loss of R12.3m against a pre-tax profit of R16.5m in the preceding year. Apart from Checkers all of the group's trading interests have suffered profit reductions as South Africa's recession has deepened. This has resulted in reduced dividends and lower cash flows for the quoted holding companies—Kimet, Metro Corporation, and Cokl.

No reason has been given for the restructuring but stockbrokers believe it is being done to strengthen the group's financial base as a prelude to raising additional equity capital. Details of the restructuring are due to be announced within the next few days.

Trading in the shares of Cokl, Kimet, Metcash, Metro Corporation, Checkers, and Russell was suspended on the Johannesburg Stock Exchange yesterday at the group's request.

Earnings fall at Dunlop Olympic

By LACHLAN DRUMMOND IN SYDNEY

DUNLOP OLYMPIC, the Australian tyres, cables, clothing, and rubber group, saw net earnings drop by 16 per cent from A\$33.54m to A\$28.51m (US\$40.3m) in the year to June 30 as sales advanced by 3 per cent to A\$1.35bn.

The net result benefited from a lower tax rate with the pre-tax decline at 20 per cent to A\$77.4m after little changed interest charges of A\$25.2m and depreciation of A\$17.9m against A\$13.9m.

There were also minority charges of A\$2.6m against A\$1.7m before net profit, which was struck ahead of further heavy rationalisation costs, which saw extraordinary debits of A\$12.4m compared with A\$37.5m in the previous year.

The company, in which Dunlop of the UK has only a residual interest, said economic activity was down in almost all areas, with tyre manufacturing

and retailing in loss for much of the year.

Elsewhere cable operations did well, footwear was stronger, and the clothing and textiles divisions performed well.

The steady interest charges in a year of generally higher rates reflected a A\$28.8m cut in debt as the company bore down on working capital levels.

An unchanged final dividend of 50 cents makes a total of 9 cents absorbing A\$21.8m of attributable profits of A\$32.8m.

COAL AND ALLIED Industries, the leading New South Wales coal exporter, has reported a jump in net earnings from A\$1.95m to A\$6.7m for the year to June but has reduced its dividend payments because of an underlying loss from its coal operations.

The company said coal operations returned a A\$603,000 loss for the year and it was only the application of A\$4.1m of divi-

dend income and tax credits which allowed it to achieve its net profit.

The result reflects an improvement on the previous year, however, when there was a pre-tax loss of A\$904,000 compared with the latest A\$3.55m profit. There were tax credits this year of A\$3.2m against A\$2.85m from investment allowances and rebates on dividends received.

Sales for the year were 7.7m tonnes of coal, up from 6.46m, and in cash terms A\$346m against A\$274m, but the full effects of price and tonnage cuts for exports of steaming and coking coal are expected to be felt in the current year.

The dividend total is down from 20 cents to 15 cents with a final payment of 2 cents against 12 cents. Of the total payout of A\$4.42m against A\$5.61m, half will go to Howard Smith Industries, the controlling shareholder.

BMF loan disclosure demanded in Malaysia

By WONG SULONG IN KUALA LUMPUR

A DEMAND for the Malaysian Government to disclose the full extent of the loans portfolio of Bumiputera Malaysia Finance, the Hong Kong subsidiary of Bank Bumiputera, has been made by Mr Lim Kit Siang, the opposition leader in parliament.

Mr Lim expressed concern over reports that BMF had "far under-declared" its loans to Carrian Holdings, the troubled Hong Kong property group.

It was once believed that BMF had given out U.S.\$150m in loans to Carrian, but the latest reports indicate that the loans could be between U.S.\$300m and U.S.\$500m said Mr Lim.

Mr Lim said that he had been told "by a key (Malaysian) Minister" that BMF loans to Carrian, the Eda company (now under liquidation) and Mr Kevin Hsu, could be in the region of U.S.\$770m to U.S.\$850m.

He said Bank Bumiputera, as a state-owned bank, must accept the principle of accountability to the Malaysia public, and he called on the government to make a full disclosure on the Bank's Hong Kong troubles. He said he was submitting a list of questions on the BMF loans at the coming parliament session next month.



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Credit Suisse First Boston Limited
Agent Bank

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

OSBORNE
COMPUTER CORPORATION

Hands on or arm's length?

Louise Kehoe examines the implications for venture capitalists of the once fast-growing U.S. company's sudden demise

THE spectacular collapse of the U.S. company Osborne Computer this month has left some of the best known U.S. venture capitalists with burnt fingers and tarnished reputations. Admittedly the loss of some \$27m or more will hardly dent the financial resources of Osborne's backers, but the after-effects will ripple through the venture capital community for months to come.

In particular, the Osborne story raises a question marks over the widely publicised claims of venture capitalists that they are closely involved with the management of the companies they support. The evidence so far suggests a surprising lack of inside knowledge on the part of Osborne's venture capital backers.

These investors have now filed a suit for fraud against Osborne, once the leading manufacturer of "portable" personal computers but which has filed for protection from creditors under U.S. bankruptcy laws (the UK company is unaffected and is still trading). The suit alleges misrepresentation of Osborne's financial position and negligence on the part of the company's directors, auditors and banks.

In preliminary hearings last week, the investors failed to block the banks from cashing \$7m in letters of credit issued to Osborne. The case is due to be heard on Friday. Osborne is reported to have denied all charges made against the company, although no response has yet been filed with the court.

Will Osborne's disastrous fall from fame make venture capitalists more cautious? "I hope so, but I'm afraid not," responds Michael Murphy of Venture Capital Management in San Francisco. "There is so much venture capital money—so many new funds—so many new people. Venture capital is a very competitive business now."

Competition—the race to make a deal before someone else—forces venture capitalists to make quick decisions on whether to invest in companies of which they have little knowledge, and sometimes to agree,



Melchor: burnt fingers

to overpriced shareholdings. "Some venture capitalists are cutting corners," says Craig Taylor of Asset Management Company in Palo Alto, California, "and it is not just the newer funds," he adds, speaking as an established venture capitalist himself. Short cuts increase the risks, however, as the Osborne case clearly illustrates.

As in many venture capital deals, most of Osborne's investors followed the lead investor who, in this case, was Jack Melchor, and relied on his judgment and involvement with the company as a guide to its likely success. He controls a number of substantial venture funds and at one time managed the \$2m Anglo-American Venture Capital Fund owned by the British Technology Group. (He now acts as a consultant to Anglo-American.)

Though other early investors in Osborne, such as the Sevin Rosen group, held back from providing further funding, Melchor continued ploughing money into Osborne as late as June—just three months before the company collapsed.

The venture funds that Melchor controls are among the plaintiffs in the fraud suit, while Melchor himself, who sat on Osborne's board, is named individually as a defendant in the case and declines to make any comment as the litigation is pending.

It is typical for the lead venture capital investor to adopt a "hands-on" relationship with the company and to join the board. Explains Murphy of Venture Capital Management: "If the lead (investor) doesn't know what is going on at the company then no one else will. The system usually works well, according to Craig Taylor, but it takes some time for the venture capital director really to get to know the people and the business."

Osborne Computer Corporation only lasted for two years, which gave no one time to know it well. What is now clear, even on the admission of one of the defendants in the fraud suit, is that until very recently there were no proper financial controls at the company. Perhaps this is not surprising in a company that had sales of over \$70m in its first year of operation. But many would argue that venture capital investors should have been on the lookout for these problems. It is easy to say that in retrospect, respond the venture capitalists.

They ignore, however, the fact that industry rumours about instability at Osborne Computer were circulating as early as May. The company's new "Executive" computer, announced in April, was not well received.

"They were seduced by the idea of a quick hit," suggests Murphy, referring to venture investors who bought warrants from Osborne in April, expecting the company to make an initial public offering a few weeks later. "It is particularly embarrassing that the company went down so fast," he adds.

"Certainly this will have a dampening influence on an entrepreneur's ability to get venture capital money," says David Gold, a San Jose venture capital consultant.

But those who will suffer most from Osborne's demise will be the dozens of companies expected to enter the personal computer market this year. There will be 30 new portable computers in the market, says a source (a trade show to be held in Las Vegas in November), says Taylor. He does not plan to invest in any of them.

In brief...

THE next national conference for the 1983 European Year of Small and Medium Sized Enterprises will be held in Ireland on Thursday and Friday. "Marketing in the EEC—problems and solutions"—will take place at University College, Galway, and will include contributions from a number of Irish and Continental businessmen. Details from Small Firms Association, Confederation House, Kildare Street, Dublin. Tel: 779581.

The UK conference, meanwhile, has been scheduled for November 17 to 18 in Edinburgh and will be specifically concerned with the relationship between large and small firms and the practicality of introducing discriminatory legislation here fitting SMEs in the U.S. and Japan. Officials from the U.S. Small Business Administration will be among the speakers. Details from 21 South Terrace, London, SW7, tel: 01-589 1945.

TWO competitions have just been announced aimed at encouraging female entrepreneurs.

Phillips Business Systems has joined forces with Options Magazine for the 1983 "Women Mean Business" award, a national award for "who are successfully running their own business enterprise, large or small, as well as a home."

The closing date is November 30. The British Association of Women Executives, meanwhile, in association with the European Year of Small and Medium Sized Enterprises, is sponsoring the new Businesswoman's Enterprise Award.

The judging panel, headed by Lord Lever, will be looking for "a candidate who displays entrepreneurial flair and business acumen, together with initiative with regard to new opportunities and exploitation of them." Entry is open to any full time female employee or company director who has a minimum of two years' employment in her organisation, or a minimum of three employees on a financial stake in the company.

DUN and Bradstreet has reprinted its booklet "The pitfalls of managing a small business—and how to avoid them." It highlights the do's and don'ts in running a small company and includes 50 suggestions for tackling the problems. Available from 26-32 Clifton Street, London EC2P 2LY. Price £1.50.

Why companies are not automatically attracted to free handouts of £100m

Tim Dickson continues a series on major Government initiatives

"AUTOMATE or liquidate." That is the challenge facing a host of British small engineering firms. But with time running out for companies to apply for help under a major Government incentive scheme, obeying even that maxim appears to be no guarantee of survival.

For according to Colonel Bill Williams, Director General of the Engineering Industries Association, "Automate or Liquidate" is frequently now quoted as "Automate and Liquidate."

His words are particularly apt as the deadline approaches for last applications under the Government's second Small Engineering Firms Investment Scheme. The scheme provides a one-third grant to companies investing in certain types of advanced capital equipment. But although the shutters do not come down until this Friday it is clear to even the most optimistic officials in the Department of Trade and Industry that a significant chunk of the £100m made available under the Scheme will not be taken up.

The most widely quoted explanation is a straightforward one—many businesses simply do not see sufficient orders round the corner to justify taking on the extra financial commitment.

Even some of those that are taking advantage of the scheme admit that there is a gamble involved. Take Eric Judd, managing director of Peshaw Engineering, based at Washington, County Durham, which was featured on this page last year (see FT November 23 1982).

Judd's experience illustrates vividly the rapid speed at which technology can move. For, although he is "bustled" then ever as present providing sub-contract engineering services on traditional electro mechanical machines, he is highly conscious that numerically controlled machines are increasingly capable of carrying out the sort of "small batch" orders with which Peshaw has made its mark.

"I have applied for grants for two machines," he reports, "but there is a lot of spare NC capacity in this area at the moment. We haven't got the orders to justify the expense. But the way things are changing you've just got to take this sort of risk. Mind you, I wouldn't be able to if I had to finance my share of the costs with new borrowing rather than retained profits."



A company hoping to reap more immediate benefits from new CNC machines is a medium-sized West Midlands manufacturer of metal working machinery (turnover last year £15m) which does not wish to be identified. "We had been talking about the need to purchase new equipment for some time," explains its finance director. "With Sefis 2 the proposition suddenly became viable."

Orders totalling £130,000 for two machines, both made in Britain, have now been placed and will, the company's spokesman points out, "significantly increase our turnaround time and efficiency, given that we work to very close tolerances."

"Fortunately our order book is healthy at the moment but it's a hell of a rat race, especially as 70 per cent of our sales go overseas. I can quite understand why people do not want to invest when their business is flat."

Frank Roberts, managing director of Ashton-under-Lyme-based sub-contract engineers, Millwood Engineering, is somebody in just this position. Three years ago annual sales were running at £100,000 and the company provided work for 12 men. Now there are only three employees and turnover has

dropped to £40,000.

"Money will be left over from Sefis 2," says Roberts, "because everyone is already in hock to the bank. Although the scheme sounds a good deal, companies still have to pay two thirds of the costs out of their own resources. Most businessmen I know are so heavily in debt that they just daren't borrow any more."

Roberts says the only way the Government can help him is "to provide a free machine, and back that up with guaranteed orders."

It has disappointed many that Sefis 2—launched this March in the wake of the much applauded Sefis 1—has not been the box office blockbuster many small firm watchers had predicted.

Whereas the £30m set aside for Sefis 1 last year was soaked up inside 81 weeks anything between £10m and £30m of the £100m made available under Sefis 2 could be left in the kitty this week. (Ministers insist that the deadline will not be extended.)

At the latest count (September 16) just under 4,000 small engineering companies planning projects with a total cost of £190m had applied for help under Sefis 2. Firm offers have been made for just under half, implying a total grant commitment so far of around £32m. Though assuming most of the others are successful this will rise to at least £60m.

The acid test of both Sefis 1

and 2 is whether new equipment purchased by companies with Government support will improve unit costs, boost order books, and safeguard jobs. According to the DTI the findings of a hitherto unpublished study of businesses which have already installed machines with the help of Sefis 1 offer encouraging evidence on these points.

Some companies, meanwhile, complain that the Sefis 2 conditions have been drawn too tight and that as a result worthy applicants have been turned away. Victor Elliott, for example, finance director of Lanark-based Bardrec, found his company was excluded because it bought two small machines at a total cost of £70,000 under Sefis 1. "We would only have qualified for Sefis 2 if we had bought one machine under the earlier scheme, though the aggregate costs of both projects can be as much as £200,000. It seems anomalous."

Bardrec, which makes precision parts, is keen to buy another high quality CNC machine since the help received under Sefis 1 has improved the company's competitive edge and boosted orders. "Because we can't extend our range of services without the machine, we have just had to lay off nine employees."

Richard Howling, chairman of Dorset-based Linger Industrial Holdings, is one of many capital equipment manufacturers (as opposed to purchasers) frustrated by the fact that the rules of Sefis 2 have excluded certain machines. Linger's Polyurethane Mixing and Dispensing machines are used by the National Coal Board to make containers and, according to Howling, the market is expanding. "Although it has some fairly sophisticated bits of electronics, it is not microprocessor based and thus does not qualify. As a result we have lost a couple of important orders this year."

"I think it is a pity that Sefis 2 has encouraged people to buy machines for areas of the market which are suffering from overcapacity."

Outside observers, meanwhile, are left wondering whether the Sefis "under-spend" will be allocated for a similar purpose or whether the Treasury will gratefully sweep it up with other departmental "savings."

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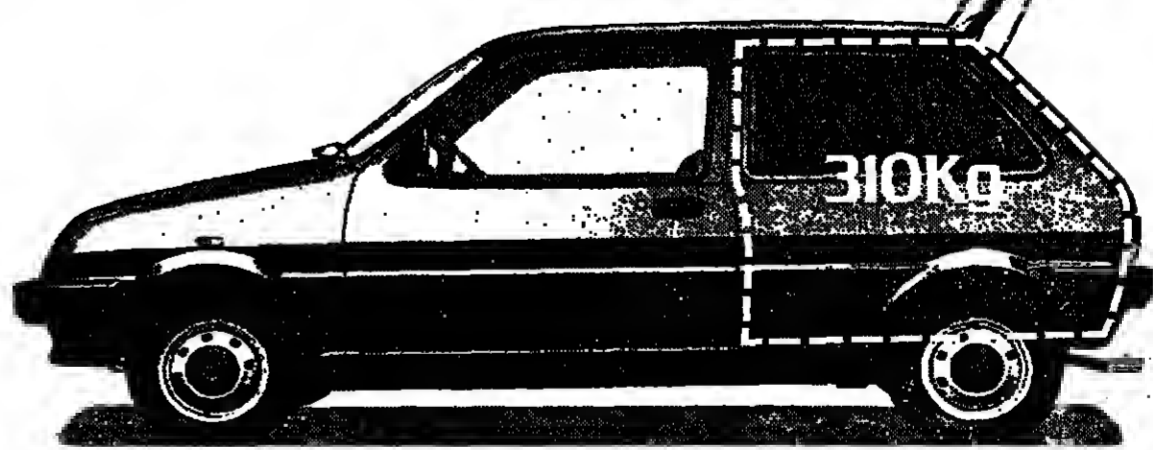
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A STEADY increase in demand for timber and building materials from the construction industry caused taxable profits of Travis & Arnold to surge by 59 per cent from £2.55m to £4.06m in the first half of 1983.

However, Mr E. R. A. Travis, chairman, points out that part of the increase was due to the poor start made in 1982 caused by severe weather conditions.

With earnings per 25p share of this builders and plumbers merchant and timber importer given ahead at 13.2p, against 8.8p, the interim dividend is being raised from 1.4p to 1.68p net. For 1983 a total of 3.46p was paid from taxable profits of £7.49m and stated earnings per share of 28.5p.

The recovery in demand—which was particularly from the private housing sector—continued in July and August, Mr Travis states, and the directors look forward to a satisfactory outcome for the year.

Sales advanced from £45.5m to £54.93m, and trading profits

HIGHLIGHTS

Lex looks at the financial markets where the Bank of England resisted any move towards lower base rates but pitched a new short rate into a buoyant gilt-edged market. In Hong Kong the monetary authorities continue to face the serious problems of a collapsing dollar. Nearer home the column comments on the BP tender which was completed with a striking price of 435p. Finally Lex looks at the latest move by Saatchi and Saatchi. The company has filed a preliminary registration document with the SEC in New York taking the opportunity to raise over £25m with an issue of 4.83m shares.

moved ahead by 52 per cent to £3.67m. Investment income fell from £532,000 to £381,000 mostly because of lower interest rates. Tax took £1.5m (£1.04m) and after preference dividends of £14,000 (same) the attributable profits emerged at £2.35m (£1.49m).

The figures have been adjusted to take account of the sale in September of the domestic retail merchandising subsidiary Welland Fuels—which accounted for less

than 2.5 per cent of annual sales and profits.

• comment

Having striven to reduce overheads and maintain margins when demand for timber and building materials was firmly in reverse, Travis and Arnold found itself well placed to profit from the recent increase in demand from the private housing sector. However, the 59 per cent increase in pre-tax profits over the

comparable period has been flattered by the dampening effect poor weather had on sales in early 1982. That was followed by a seasonal winter advance in sales of central heating and plumbing products, which account for 38 per cent of turnover. Add in property gains and these results end up slightly down on the previous six months' profits. Nevertheless, volumes continue to advance and trading margins have widened a couple of points to nearly 7 per cent—not far short of T and A's performance during the 1979 surge in house prices. The cash pile has grown to £1m-£5m and should remain at that level in the current half, since no major growth in working capital requirements is expected. All the same, the present improvement in volumes should be enough to push T and A up to around £3.5m pre-tax for the year. That leaves the shares, at yesterday's price of 327p up 7p, on a prospective p/e of just under 11, assuming a 40 per cent tax charge.

Stone Intl. turns in £3m net —pays 27p

Stone International—which was formed when management bought out the electrical division of Stone-Platt Industries from its joint receivers in May 1982—has reported net profits after tax of £3m for the year to May 31, 1983.

With earnings per share given as 27p the year's dividend is set at 27p. No comparative figures have been given.

Sales amounted to £84.3m and operating profits came to £5.5m. Mr B. P. Jenks, chairman, says that a strategic objective of the company is to seek a full listing on the London Stock Exchange at some appropriate time in the future, possibly during 1984—as an aid to its long-term business development objective which involves reviewing areas of product and seasonal increase in demand during the autumn, which is a feature of the furnishing market, continued reconstruction particularly in the consumer expenditure and growing optimism that the economy was moving out of recession.

However, he notes that during the last quarter there was a "hesitant" in that optimism which took the steam out of the market, with the result that the profit fell a little short of expectations.

A breakdown of group trading profits of £2.9m against £1.95m shows: Parker Knoll Furniture £1.5m (£1.43m); Parker Knoll Textiles £1.39m (£1.24m); Mercia Weavers £1.14m (£1.00m); K Raymanks and Sons £751,000 (£677,000); Nathan Furniture losses £764,000 (£1.47m).

Which the loss for the year was high at Nathan Furniture, Mr Jourdan says the reduction in the loss achieved during the first half continued during the second half. Despite a slack market for carpets in the last quarter, sales over the year as a whole increased and there was a substantial improvement in margin.

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Parker Knoll second half leaves profits up 55%

WITH A SHARP reduction in losses at a major subsidiary and increased profits in all divisions, Parker Knoll has been able to increase pre-tax profits 55 per cent from £2m to £3.12m. In the second half pre-tax profits more than doubled from £500,000 to £1.72m.

Turnover for the year to the end of July 1983 increased from £24.93m to £38.51m.

Mr M. H. T. Jourdan, chairman, expresses some optimism for the future, but points out that as far as furnishing markets are concerned there are few indications that they will be any more buoyant in the coming year than they have been in the past.

The net final dividend has been lifted 1p to 6p, which raises the total from 7.5p to 8.5p. Earnings per 25p share are shown as moving up from 7.7p to 27.4p.

Commenting on the period under review, Mr Jourdan says that the seasonal increase in demand during the autumn, which is a feature of the furnishing market, continued reconstruction particularly in the consumer expenditure and growing optimism that the economy was moving out of recession.

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DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corr. dividend	Total for year	Total last year
Camellia Invest.	4	Oct. 27	3	—	7
Galliford	2.3	—	—	—	2.7
Link House	8.4	—	8.5	18.9	12.3
Mac'd Morris int. 'A' ord	3	Nov. 11	1.5	—	4.5
Mac'd Morris int. 'B' ord	0.87	Oct. 28	0.847	—	2.001
Metalix Group	1.5	Nov. 6	5	8.5	7.5
Parker Knoll	6	Dec. 1	0.7	—	2.2
Planet Group	1.08	Nov. 5	nil	0.08	—
Raglan Property	0.08	Nov. 11	1.4	—	5.48
Travis & Arnold	1.16	Jan. 6	1.16	—	2.1
Wiljay	1.16	—	—	—	—

Dividends shown pence per share net except where otherwise stated. Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock.

• comment

Parker Knoll is a bit of an investment conundrum. It has taken the worst of the recession with hardly a dent to its profits and sustained its dividends. Yet one acquisition, Nathan, blots the company's record. Blot—well it's more of an oil slick. Strategically the move into cabinet furniture may have been right but there was probably a better way to go than buying Nathan. That is the dilemma for shareholders. The management has certainly proved its worth in its own house but it seems that the one time it took a major step outside it fell on its face. That may be a bit unfair, for Nathan was not P K's first purchase. The textile businesses that have been tackled on are flourishing though inevitably it's the new acquisitions remember. Any way, the directors affirm that lessons have been learnt and their ambitions to make further purchases should stay put. This weakened. Next time they are unlikely to be tempted by a "cheap rescue" bid. Given the benefit of the doubt, shareholders should stay put. This year will see further loss elimination at Nathan though it is too early to make a meaningful forecast for the year. Meanwhile the shares are backed by a rock solid 5.5 per cent yield at 214p.

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Raglan down—but first payment since 1974

BY WILLIAM COCHRANE

Raglan Property Trust is to pay its first dividend since 1974, with a recommended final payment of 0.075p per share for the year to March 31 last.

Reported profits for the year are down from £385,000 to £235,000 before tax. The figures, however, are complicated by the incidence of development profits on the first three phases of an office project at Cowley, Oxfordshire.

The board look to a contribution of £513,000 on this account in 1981-82, but only £244,000 for last year, profits on one phase being left out because it was not then fully let. Raglan's chairman, Mr David Anderson, said yesterday that the pre-tax total would have been "nearer £300,000" with the inclusion of this item.

The effect of this diversion is mitigated for 1982-83 by a surplus on sale of investment properties

(largely one with no rent review until 1992); for the current year, observers estimate that the Cowley development will help profits into the £700,000-£800,000 bracket.

In the meantime, net assets have risen from £2.25m to £3.64m in the year to March 31, the increase of 62 per cent reflecting last autumn's £1.19m acquisition of Kvaerner House in Slough. Net assets per share are up 12.7 per cent to £2.2p; the Kvaerner acquisition was equity-funded.

In its preliminary statement the Raglan board says that it has a projected development programme currently in excess of £25m. Current developments are all progressing well and the outlook, says Mr Anderson, "is brighter than for many years."

Mr Anderson added yesterday that Raglan was concentrating on

the sort of projects which were currently fashionable—small office, retailing and a "high tech" industrial park on the outskirts of Oxford. The company's in-house team was also limiting its geographic exposure to the South of England, he said.

This approach, he said, was necessary in view of the company's condition. Raglan was one of the smaller companies which survived the property crash of the mid-1970s. "For four years after that," said Mr Anderson, "we were working with virtually no assets, no income, but a public company overhead."

He has tackled bigger projects in previous jobs with Ardale, and Town and City Properties. It is partly this, said stock market sources yesterday, which has kept the shares—unbarged at 8p—a premium over asset value when the norm for property

shares is a discount.

This potential for bigger things is also used to explain Raglan's institutional backing, from Kleinwort Benson, M & G, Scottish American Investment and Northern Securities—when it bought Dido Investments nearly two years ago, and the involvement of the same four plus Schroder Wager in the Kvaerner acquisition.

The acquisitions have brought a degree of stability to the company, its rental income rising from £85,000 in 1981-82 to £145,000 last year, or £225,000 on an annualised basis.

Mr Anderson said that he would be looking for further deals: development in partnership might be one way, and the acquisition of companies with undervalued property assets would be another.

Suter buys 7% of Francis Inds.

BY CHARLES BATCHELOR

HAIRDRESSING, refrigeration and air-conditioning equipment maker Suter has taken a 7.2 per cent stake in Francis Industries, the Halifax-based packaging and car components group.

Suter's 300,000 Francis shares were worth £32,000 at yesterday's closing price of 54p, up 2p. Suter was an unchanged 70p.

Mr Ron Schofield, Suter's company secretary, said: "I would rather not comment at the moment. The company holds

a number of investments and this is one of them."

Mr David Burnett, managing director of Francis,

UK COMPANY NEWS

Barker & Dobson on target at £273,000

CONFECTIONERY manufacturer and retailer Barker & Dobson Group produced pre-tax profits of £273,000 on sales, exclusive of VAT, of £31.67m in the 26 weeks to July 17 1983. This compares with profits of £251,000 earned on turnover of £27.55m in the 40 weeks to December 31 1982.

Mr R. W. Aitken, chairman, says the trading results are in line with the board's expectations at the time of the acquisition of Centre News in July and following the closure of the Liverpool factory last March. The change in the accounting

reference date has considerably changed the weighting of the trading profits between the first and second half of the year and a lower proportion of the annual trading profits has been reflected in the first half. This was a characteristic of the company's results in future Mr Aitken comments.

There is again no interim dividend, but the directors reconfirm their intention to recommend a distribution in respect of the year as a whole.

Looking to the future Mr Aitken reports that the directors

are satisfied that the company has been established on a sound and profitable base and that continued progress can be expected. Since the closure of the Liverpool factory in March, the transfer of plant and equipment to the company's Bury, Nelson and Dundee factories has been completed and the full benefit of the reorganised production is beginning to show. There was no reflection of this improvement during the period but the advantages will be demonstrated during the second half.

Centre News has been absorbed into the Lewis Meeson chain and is now producing the benefits expected at the time of acquisition. The other shops in the group are operating in line with forecasts and investment in the acquisition of individual shops and the development of existing shops is continuing.

Taxable profits were struck after interest charges of £286,000 (£238,000) and included an associated contribution of £12,000 (£28,000). There was no tax charge and after extraordinary debits of £130,000 (£175m) the attributable profits emerged at

£148,000 (losses £124m). The extraordinary item is a provision for loan stock outstanding and a bank overdraft guaranteed by Barker & Dobson in its former Irish subsidiary Lemon and Co. which has gone into receivership. Lemon and Co. was sold in September 1982 and Mr Aitken points out that the costs to the group would have been much higher had it incurred the costs of liquidation. Mr Aitken intends to hand over the chairmanship to Mr Bill Kenyon, chief executive, after the annual meeting.

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Link House ahead despite three lossmakers

DESPITE losses in its magazines, books and communications' division, Link House Publications reports pre-tax profits up from £5.5m to £6.4m in the year to June 30, 1983, as a result of the advertising periodicals division improving its operating profit from £6.2m to £7.4m.

Magazines losses were £154,000 against profits of £122,000, losses in the books division increased from £53,000 to £246,000, and communications losses were cut by £100,000 to £122,000.

The final dividend is raised from 8.5p to 9.4p net for a total up from 12.3p to 13.9p. Stated earnings per share improved from 23.0p to 25.7p.

Group turnover for the year increased from £28.25m to £28.21m, and operating profits overall were £6.88m against £6m. The pre-tax figure was after group unallocated overheads of £1.7m (£1.02m) and associates

losses of £22,000 (£28,000), but included investment income up from £397,000 to £708,000. There was a higher tax charge of £3.1m (£2.85m) and an extraordinary debit this time of £39,000.

The directors say that with the improvement in the UK economy in 1983, they hope that this will be reflected in the prospects for publishing.

Much of the group's recent success stems from the advertising periodicals division—its titles include Exchange and Mart and Autostar—and it is expected that this division will continue its good record, albeit with the background of falling circulation throughout the publishing industry.

They say the first priority in 1983-84 must be to restore the magazines and books divisions to profitability. Group liquidity remains strong and the board will continue to examine

acquisition opportunities, particularly those allied to its publishing background. It was expected that the books' division would return to profitability in the current year, but a further decline in home market sales in the first quarter has delayed the achievement of this target, and it has been considered prudent to make specific provisions against certain titles.

That faithful old warhorse Exchange and Mart has once again made all the running at Link House. But elsewhere, the ranks are limping heavily. Non-E & M magazine sales and advertising dropped sharply, but the group's magazine division growth prospects for its specialist trade publications. Management in the magazine division has been restructuring and the design team has been revamped. The book market was similarly depressed, but Link also

fell foul of a misjudged editorial policy. Meanwhile, the decision to pull out of Prestel looks rational since the group only went into videotext to fight a threat to E & M which never materialised. Other forces outside its traditional fields have been even less successful, so it is a relief to see the company concentrating on the core business by introducing regional editions of E & M. Cash balances stand at £7.25m and demands on working capital are slight, but the directors would rather get books and magazines back in the black before galloping off on the acquisition trail. With trading margins running at 24 per cent and a nearly 100 per cent return on capital employed at £2.6m, Link does not need to take more than a leisurely stroll at new pastures. At an all time high of 78p, up 10p, the share price is on an historic p/e of 18 with the tax charge at 51.6 per cent.

investments £54,000 (nil), and interest payable was £504,000 (£497,000). Depreciation and amortisation charged, amounted to £1,04m, against £291,000.

Mr Williams says the group is now in a position where, besides its oil and gas interests, it holds an attractive portfolio of undertied and partially explored acreage, much of which has great potential for providing further growth in income and reserves. "The coming years will see a high level of activity aimed at realising some of this potential with a view to placing Charterhall in a strong financial position."

On a current cost basis the pre-tax figure is a £166,000 loss (£261,000 loss).

base from which the group can continue to expand its oil and gas exploration and production interests. During the 12 months significant progress was made, be adds, in all of the five countries Charterhall is involved in.

After a tax credit of £5,000 (£61,000 charge) net profits amounted to £207,000 (£226,000 loss) giving 5p per share value of 0.53p, against 0.65p losses. The dividend is unchanged at 0.3p net.

Cost of sales took (£22.25m) (£1.24m) leaving a gross profit of £1.58m, compared with £385,000. Administrative expenses were £1.25m (£823,000) other operating income £355,000 (£286,000), interest receivable £81,000 (£192,000), amounts written off

GOOD second half results at Charterhall have taken this oil and gas exploration company back into the black for the year ended June 30 1983 with £202,000 pre-tax. This is compared with losses last time of £167,000.

At half-year losses amounted to £248,561 (£38,564). Turnover for the year more than doubled from £1.5m to £3.8m, with UK oil and gas production jumping from £587,000 to £2.5m. The directors say the "considerable" second half improvement was due mainly to the receipt of the group's first Buchan net production income, payout of the Field having been achieved on May 17 last.

Mr Derek G. Williams, chairman, says this provides a firm

the time he said results from other activities were sufficiently encouraging to believe a reasonable overall result could be achieved. Group turnover of this industrial holding company improved from £59.34m to £68.68m in the year to June 30 1983. Despite the setback in profits, the final dividend is raised from 2p to 2.3p net for a total up from 2.7p to 3p. Stated earnings per share were lower at 6.99p against 7.11p. After tax and minorities, net profits came out at £1.77m compared with £1.8m. The directors say a satisfactory

start to the current year has been made by the building activities represented by private housing, contracting and property development, and by the Corley division. In the year under review private housing building contracting and pipeline services all produced satisfactory results. While civil engineering contracting companies have an adequate order book, the market is still extremely competitive. The directors add that precision engineering continues to be a "problem area". They believe a reasonable overall result can be achieved in the year to next June.

The undersigned originated this transaction and advised Bethesda Research Laboratories, Inc.

F. EBERSTADT & CO., INC.
Members New York Stock Exchange, Inc.

New York Paris London Geneva
September 1983

This announcement appears as a matter of record only

IMM

ISTITUTO MOBILIARE ITALIANO

U.S. \$99,997,700
Medium-Term Eurodollar Loan

PROVIDED BY:
THE BANK OF NOVA SCOTIA CHANNEL ISLANDS LIMITED
BANKERS TRUST COMPANY
CANADIAN IMPERIAL BANK GROUP
GULF INTERNATIONAL BANK B.S.C.
THE INDUSTRIAL BANK OF JAPAN, LIMITED
THE SAITAMA BANK, LTD.

CO-AGENTS:
THE BANK OF NOVA SCOTIA BANKERS TRUST COMPANY
June 1983

THE KYOWA BANK, LIMITED
London Branch
US\$10,000,000 Floating Rate
Negotiable Certificates of Deposit 28.9.87
Notice is hereby given pursuant to the Terms and Conditions of the Certificates of Deposit that for the six months from 26th September, 1983 to 26th March, 1984 the Certificates will bear an interest rate of 10.4% per annum.
N. H. WOOLLEY & CO. LTD.
Agent

MOULTON HOLDINGS (Ancillary equipment for blood circuit TV—For half year ended June 30 1983. Turnover £644,000 (£410,000) and profit £16,700 (£10,200). Trading continues to be very profitable.

ARDEN AND CHORDON HOTELS (Birmingham hotels)—Results for the six months to June 30 1983. Turnover £598,650 (£544,241); pre-tax loss £5,700 (£6,715). After depreciation £29,000 (£28,715). Taxation losses £3,000 (£11,000). Mr H. Donald, chairman, says half year is very disappointing, but the outlook, he hopes, will show some improvement. Next year should be better with a busier programme of exhibitions and visitors at the National Exhibition Centre.

MONTAGU BOSTON INVESTMENT TRUST—Pre-tax shortfall for six months to June 30 1983. Revenue (£141,800); gross income £294,800 (£196,200). Shareholders' funds £48,100 (£58,100) and foreign currency loan interest, £177,700 (£2,200). Net dividend value 10p share 12.875p (110p at January 31 1983). Board says income shortfall was due to an uneven income stream that will be rectified in the second half. At a total, it is expected that the annual dividend will not be affected. During the period, the loan liability with Midland Bank was increased to US\$15m and was fully utilised.

PLEMING ENTERPRISE INVESTMENT TRUST—Results for year to June 30, 1983, steady known. Investments at valuation (£15.5m), including listed £14.65m (£10.7m) and unlisted £0.85m (£1.8m). Shareholders' funds £21.75m (£15.36m); net current assets £282,421 (£226,493). Increase in liquidity £27,000 (£28,000 decrease). Meeting: P and D Building, 122, Leadenhall Street, EC, October 7, 10.30 am.

PETER BLACK (Bedding and carpets)—Results for year ended April 30 1983 reported August 15. Share-

GROVEWOOD SECURITIES LIMITED

INCREASED PROFIT FOR HALF-YEAR

ANOTHER RECORD YEAR IN PROSPECT

John Danny, Chairman and Chief Executive, states:

I have pleasure in announcing a profit (unaudited) for the half-year to 30th June 1983 of £8m (1982 £6m), and am confident that the results for the full year will be a record for the Company. This will be for the 16th consecutive time.

In my last report I commented on the intensification of competition for the provision of finance for private companies and family businesses. Whilst this has in no way abated we continue to receive a large number of approaches, often as a result of personal recommendation by people who have already joined Grovewood and who are delighted with the outcome.

Entrepreneurs sell to us part of their shareholdings, retaining management control, and we purchase the balance over periods suitable to them. These happy and prosperous "partnerships" are what Grovewood is all about.

SCIENTIFIC INSTRUMENTS, BUILDING MATERIALS, MERCHANT BANKING SERVICES, TELEVISION, ELECTRICAL AND HOUSEHOLD GOODS, ELECTRONIC COMPONENTS, ENGINEERING, AGRICULTURAL MACHINERY AND SPARES, MOTOR VEHICLES, MOTOR RACING CIRCUITS, MEDICAL AND NURSING SERVICES.

GROVEWOOD SECURITIES LIMITED

45 Circus Road, London NW8 8JJ.

A MEMBER OF EAGLE STAR GROUP

Life Technologies, Inc.

has been formed by merger of

Bethesda Research Laboratories, Inc.

and

The Gibco Corporation

a subsidiary of

The Dexter Corporation

The undersigned originated this transaction and advised Bethesda Research Laboratories, Inc.

F. EBERSTADT & CO., INC.
Members New York Stock Exchange, Inc.

New York Paris London Geneva

September 1983

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THE SAITAMA BANK, LTD.

CO-AGENTS:
THE BANK OF NOVA SCOTIA BANKERS TRUST COMPANY

June 1983

Charles Hill losses jump to £1.32m

AFTER taking out pre-acquisition profits of £710,000 for recently-acquired Kennedy Smale, taxable losses of Charles Hill have jumped from £551,000 to £1.32m for 1982. There is again no dividend.

Excluding Kennedy Smale, the directors say that the performance of the remaining companies in the group "has been disastrous." With the exception of the two property concerns, every trading company operated at a loss, all of which, excluding extraordinary items, amounted to a total of £1.07m.

The directors add that swift action has been taken to stem the losses and to reduce bank indebtedness.

With Kennedy's performance well on course to make pre-tax profits of £500,000 for the 15 months ended March 31, the directors point out that the company has a solid and expanding base from which to operate.

And, despite heavy interest charges in respect of the pre-merger, Charles Hill bank borrowings—some £200,000 for the six months to September 30 last—together with the elimination of its loss-making trading companies and the planned sale of certain property investments, should "very substantially reduce bank borrowings" and make possible a small pre-tax profit for the current period.

Turnover for 1982 amounted to £13.82m (£10.26m), excluding Kennedy Smale pre-acquisition portion of £3.73m, and the pre-tax figure was after interest £300,000 (£254,000) and an exceptional debit of £207,000 (nil).

There were tax credits totalling £74,000 (£13,000), an extraordinary debit of £439,000 (£400,000) and minorities credit £4,000 (£42,000). Loss per share is given as 49.5p (£1.7p).

Net revenue of the Jove Investment Trust rose from £282,000 to £305,000 for the six months to August 31 1983. The interim dividend is lifted by 0.1p to 2.1p net per share. Gross revenue for the period was £391,000 against £399,000. Tax took £127,000 compared with £122,000.

Net asset value per share after dividend payments as at August 31 is given as 51.21p (£0.29p) per income share, and 13.02p (nil) per capital share.

Mr P. S. Wright has retired from the board and is succeeded as chairman by Sir David Thompson.

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CHECKERS STORES LIMITED

(Incorporated in the Republic of South Africa)

PRELIMINARY PROFIT STATEMENT TO SHAREHOLDERS FOR THE YEAR TO JUNE 1983

Results

The unaudited consolidated results of the Company and its Subsidiaries are as follows:—

	Unaudited 52 weeks ended 2 July 1983 R000	Audited 53 weeks ended 3 July 1982 R000
Turnover of continuing operations	1,146,421	1,119,711
Turnover of discontinued operations	7,998	84,026
Total turnover	1,154,419	1,203,737
Operating loss from continuing operations including the attributable earnings of associated companies	5,560	6,696
Cost of borrowings	6,720	9,802
Interest paid	5,680	8,810
Dividends on Redeemable Preference Shares	1,040	992
Loss from continuing operations before taxation	12,280	16,498
Taxation	870	(2,567)
Loss from continuing operations after taxation	13,150	13,931
Interest of outside shareholders	14	(109)
Loss from continuing operations	13,164	13,822
Loss from discontinued operations	1,005	7,388
Loss before abnormal item	14,169	21,210
Abnormal item	1,286	—
Loss before extraordinary item	15,455	21,210
Extraordinary profit (loss)	7,245	(10,958)
Net loss for the period	8,210	32,168
Dividends	1,530	2,046
Ordinary dividend	284	852
Preference dividend	1,246	1,194
Prior years' adjustment	9,740	34,214
Net diminution in equity of the group	9,740	32,577
Ordinary and 'A' Ordinary Shares:		
Number of fully paid shares in issue	5,682,846	5,682,846
Losses from continuing operations before extraordinary items (cents per share)	276.2	264.3
Dividend (cents per share)	5.0	15.0

Notes

- The method of accounting for interest and other carrying costs directly associated with land development has been changed so as to capitalize rather than expense these costs as incurred. The effect of this change has been to reduce the loss from continuing operations before taxation for the year to 30th June 1983 by R1,241,000 (1982—R348,000).
- The abnormal item is a provision for certain costs incurred in December of every year. It is considered appropriate to provide for these costs on a monthly basis throughout the calendar year and the amount of R1,286,000 represents the charge for the 6 months to June 1983. The effect of this change in accounting treatment is to charge against income the costs actually incurred in December 1982 as well as the provision made for the 6 months to June 1983.
- Extraordinary items are mainly comprised of profits realised on the sale of properties and the post-decision date costs of closing the Greatmans Department Store in Pretoria and The Check-In Convenience Store Chain.

Comments

The losses from continuing operations for the year largely reflect the problems of the Company at the time of the change-of-control, and the cost of resolving them. Management is satisfied that all problem areas have now been addressed and that financial disciplines and proper administrative procedures have been installed and are operating effectively. It is our view that a substantial portion of the losses relates to periods prior to that under review. Our original objective was to achieve a monthly break-even position by June 1983 and then to build on this base—this has been achieved. With the problems of the past behind us, we have been able to devote all our time and attention to the current situation. Sales thus far in the new financial year are in excess of budget and represent real growth over the levels achieved in the previous year. In accordance with expectations, a satisfactory profit was earned in the month of July, and preliminary estimates for August indicate that this trend is continuing. It is anticipated that the Company will trade profitably throughout the year, given no marked deterioration in present business conditions.

An aggressive new store and refurbishment programme has been embarked upon extending into 1985, with 3 new stores recently opened and a further 9 opening before the end of December 1983. The reaction of our customers to these new stores is most gratifying and the sales volumes achieved have exceeded expectations.

Ordinary Dividend

The Articles of Association of the Company make provision for the various classes of non-voting shares to obtain voting rights in the event of non payment of a dividend. The Board is of the opinion that the preservation of the existing control situation is in the best interest of all parties concerned, and accords with the recent successful rights offer to shareholders which was made on the assumption that the control situation prevailing at that time would continue. Accordingly, the Board has decided to declare an ordinary dividend of 5 cents per share to Ordinary and 'A' Ordinary Shareholders.

N. Kirsh
Chairman
15th September 1983

DECLARATION OF FINAL ORDINARY DIVIDEND NO. 82

NOTICE IS HEREBY GIVEN that a final dividend of 5 (five) cents per share (1982: nil cents) making a total of 5 (five) cents per share (1982: 15 cents) for the year ended 30th June 1983, has been declared by the Board of Directors payable on 11th November 1983, to Ordinary and 'A' Ordinary Shareholders registered in the Books of the Company at the close of business on Friday, 14th October 1983.

The dividend is declared in South African currency and dividends payable from the London Office will be paid in United Kingdom currency calculated at the rate of exchange ruling between Rand and Sterling on the 14th October 1983. Dividend cheques despatched from the London Office to persons resident in Great Britain or Northern Ireland will be subject to a deduction of United Kingdom Income Tax at rates to be arrived at after allowing for relief (if any) in respect of South African Taxes. The Company will where applicable, deduct the non-resident shareholders' tax of 15 per cent from dividends payable. For the purpose of paying the above dividend the Ordinary and 'A' Ordinary Share Registers will be closed from 15th October to 29th October 1983, both days inclusive. Dividend cheques will be posted on or after 11th November 1983.

Registered Office:
220 Commissioner Street,
Johannesburg.

London Transfer Secretaries:
Granby Registration Services,
Bourne House,
34 Beckenham Road,
Beckenham, Kent, SE13 4TU.

By Order of the Board
B. C. Cragg
Secretary
South African Transfer Secretaries:
Central Registrars Limited,
154 Market Street,
Johannesburg.
(P.O. Box 4844, Johannesburg 2000)

Ancon Insurance Company (U.K.) Limited

The Board of Directors of Ancon Insurance Company (U.K.) Limited at a meeting held on September 14 1983 announced plans to increase the authorized and paid-up capital of the Company from the present £5 million total to £10 million.

Ancon Insurance Company (U.K.) Limited is a wholly-owned affiliate of Exon Corporation. It is anticipated that the capital increase will be effected early in December following Board action by the immediate parent company of Ancon Insurance Company (U.K.) Limited, Ancon Insurance Company, S.A., whose Head Office is in Hamilton, Bermuda.

Ancon Insurance Company (U.K.) Limited
8 Lime Street
London EC3M 7NA
01-283 8241

Pritchard 'shut-out' position clarified

By Ray Maughan

THE Panel on Takeovers and Mergers has clarified the circumstances by which certain major institutions have allowed Pritchard Services Group to shut-out in respect of the bid for Spring Grove, the troubled workwear hire and towel rental group.

The institutions have agreed to accept Pritchard's £15m offer to acquire 14.1 per cent of Spring Grove's equity which, with earlier acceptance, gives Pritchard majority control and effectively shuts out a rival bid for Spring Grove from Sunlight Service Group.

Sunlight, which is itself the subject of a £31m bid from Breggreen, has nevertheless pursued its interest in Spring Grove and has made representations to the Panel to the effect that the accepting institutions were given information which had not been made generally available to other shareholders.

The gist of that information, Sunlight supposed, was that Spring Grove was not likely to survive through the period of a Monopolies Commission reference, but a reference would be more probable if Sunlight's higher offer rather than Pritchard's terms succeeded.

But the Panel made it clear yesterday that it had "made enquiries of these shareholders and has been told that they were given no information which was not publicly available, or which was not subsequently made available, to all shareholders in Pritchard's offer document. In addition, the Panel has been informed that those shareholders agreed not to deal in the relevant shares until Pritchard's offer document had been published."

At the same time, Breggreen has written to Sunlight shareholders, pressing its proposed bid before it reaches the final closing date on September 29.

Breggreen has attempted to counter Sunlight's assertion that the PR industry has indicated Breggreen's move with the comment that the defence "clearly underestimates the intelligence of the investment community."

The Mergers Panel of the Office of Fair Trading is expected to be passed after the Panel was meeting yesterday and it is understood that all the laundry bids were under discussion. The O.F.T.'s conclusions are expected to be passed after the Department of Trade and Industry today.

BECAUSE of the effects of inflation South Africa's Impala Platinum Holdings Ltd. is expected to see a "significant" improvement in profits in the current year to next June. The group's mines are thus continuing to operate at reduced levels and its production has been reduced to acceptable proportions.

Mr Ted Pavitt, the chairman, says in the annual report that some increase in platinum consumption by the traditional users is expected this year. He feels, however, that it will be some time before world economic recovery boosts platinum demand from the chemical, glass and petroleum industries.

Demand from the automobile industry in the U.S. and Japan continues to pick up. The prospect of an important new market for platinum is held out by

proposed legislation in several Western European countries to control exhaust emissions and to limit the lead content of petrol but, here again, Mr Pavitt says that this new demand is unlikely to be significant before 1990.

Impala remains the only major producer of platinum to base its sales on the producer price which is currently 5475 per ounce, although it is generally thought that this does not prevent some flexibility being applied. Mr Pavitt says the policy is to be maintained whereby metals are supplied under contracted terms which ensure prices which are reasonable and stable.

The rival Rustenburg Platinum Holdings broke away from the producer price policy in January to sell on the basis of the free market price, as does Canada's Inco and L'Anse-au-Loup Western

overdone, as Gold Fields has already written the value of its investment in the U.S. over yesterday by £87m. The group said that this provision still looked about right.

Gold Fields' shares reacted quickly to the news in London, with a fall from 565p to 580p immediately after the announcement. The price later edged even lower to close at 577p, down 18p on the day.

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Taddale halves Branon bid following slide into losses

BY CHARLES BATCHELOR

Taddale Investments, the industrial holding group, has halved the value of its agreed bid for Branon, oilfield services and construction engineering company, in the wake of Branon's large 1982/83 loss.

The announcement of the lower offer wiped 25p off the Branon share price which closed at 30p yesterday.

Taddale, whose shares are traded on London's over-the-counter market, has been forced to abandon its plan to seek a full Stock Exchange listing. The Stock Exchange's Quotations Committee has ruled that Taddale "did not have an identifiable business activity which had been continuous for the last five years."

Mr Michael Carlow, Taddale chairman, said that the directors were "surprised and disappointed by the Stock Exchange decision, but there are still good businesses in Branon. They just need strong management."

Taddale is offering one of its own 10 shares for each £1

Branon shares with a cash alternative of 30p a share. This compares with the original bid, made on August 10, of two shares or 60p in cash.

On September 19 Branon announced that a large loss from its Highway Hire subsidiary, which has now ceased trading, together with doubled interest charges, had pushed it into a £1.33m pre-tax loss in the year ended March 31, 1983 compared with a £72,000 profit.

The value of the revised Taddale share offer is £1.54m while the cash alternative is now worth £900,000.

"We were very aware of the problems at Branon, but we were surprised at the level of losses," said Mr Carlow. "We knew all was not well but we didn't know if it was a cold or pneumonia. It turned out to be cancer. But there are still good businesses in Branon. They just need strong management."

Sir Monty Finlayson, chairman of Branon and a former

chairman of the British Steel Corporation, will join the Taddale board on completion of the deal and will later be appointed chairman.

Branon's 20 per cent stake in Cavendish Petroleum is the main attraction of the deal for Taddale while Branon also supplies construction and road maintenance equipment and designs and makes oil lubrication and filtration equipment.

Taddale is making no change in its earlier announced plans to make a three-for-five rights issue of 21.35m shares to raise £8.4m before expenses.

Full acceptance of the revised offer will lead to the issue of 3.1m shares representing 5.03 per cent of enlarged equity, after the rights issue.

Taddale has been advised by Henry Ansbacher while Gradall Branson has advised Branon.

Taddale's shares were traded at 48.52p on the over-the-counter market yesterday compared with Friday's close of 48.40p.

Branon's shares were traded at 30.00p on the over-the-counter market yesterday compared with Friday's close of 29.80p.

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SECTION III - INTERNATIONAL MARKETS

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WALL STREET

Brief pause
precedes
new heights

MONEY SUPPLY euphoria was conspicuous by its absence on Wall Street yesterday as the usual Monday morning hangover from Friday night's weekly M-1 figures failed to manifest itself at first in a determined move in any direction, writes Gordon Cramb in New York.

A mid-afternoon revival, however, again took the Dow Jones Industrial average into uncharted territory. After wavering during the morning either side of its pre-weekend close, it closed up 5.18 at 1280.77, a new record.

The 910 issues overall which showed gains were offset by 678 with losses on the day. Volume reached some 86.83m shares.

This lack of initial motivation was, however, seen less as a sign of any fundamental distress than as an understandable symptom of a market which has been well fed with gains and needed occasional pauses for digestion. In the course of last week, the Dow put on 29.88 and twice set new peaks, the second coming on Thursday at 1,257.52.

The blue chip rises were attributed in part to institutional window-dressing as the end of the quarter nears this Friday.

Relatively few issues in the broader market had recorded new highs in tandem with the Dow.

While further rallies remained in prospect, those which were mistimed or too thinly based were prone instead to precipitate steepish falls, one analyst said.

Credit markets, which saw substantial rate mark-downs in the final hour of last week after M-1 emerged \$3.1bn down, underwent modest early adjustments to provide further improvements at the short end but a slight tug downward in longer-dated prices.

For the first time since September 14 the Federal Reserve allowed its usual mid-morning intervention period to pass without moving to aid liquidity. Fed Funds, bid as low as 8% per cent on Friday, edged up to 8% but remained still well below the recent 9% midpoint.

With last week's \$14.25bn Treasury funding programme successfully accomplished, the way is now clear for the Fed to act more on its own motivations rather than be required largely to play escort. Clear signals of its thinking on rates were still being sought yesterday, however, although an easing in policy has been discerned in some quarters.

In the stock market, many smaller airlines were given a rough ride after news of Continental's appeal to the bankruptcy courts to help disentangle its labour problems. Texas Air, the largest shareholder of Continental, slid 5% to an early 55% in dealings on the American Stock Exchange, but later rallied to 5% off 55%.

Those regarded with similar ill favour on the Big Board included Eastern, off 5% at \$5, and Western, down 5% to \$4. Ozark Air, also actively traded on the Amex, was 5% lower at \$9.

Continental itself, however, rose 5% to \$34, also on the Amex.

Baldwin United, which also filed for Chapter 11 protection from creditors, had already had its shares slashed from a high over the last year of \$50% to last Friday's \$4%. The stock was halted at that level.

Elsewhere ACF Industries, which spurned the advances of Mr Carl Icahn, slipped 1% to \$50, while Allegheny Corporation was suspended at \$71% pending a possible renewal of a proposed American Express link-up.

Financial Corporation of America picked up 1% to \$44%, while Merck gained \$3 to \$97% in an otherwise dull drug sector. Major utilities drew benefit from a recommendation to buy. Commonwealth Edison firmed 5% to \$28% with a block of 150,000 crossing at \$28%, and another of 272,300 at \$26%. AT&T moved ex dividend at \$65, down 2%.

Government paper showed the three-month Treasury Bills being discounted some ten basis points lower at 8.72 and the six-month counterparts at 8.80, five basis points off. As recently as last Wednesday the six-month rate was above 9 per cent.

At the long end, the benchmark 12 per cent bond of 2013, which had touched 105 late on Friday and opened again at that level, eased to 104% to yield 11.41 per cent. In the corporate sector no sizeable new issues appeared, although a good volume of new securities is expected now that the Treasury's needs have been met.

LONDON

Trade in BP
fades after
bright start

INTEREST centred almost entirely on the oil sector at the beginning of trading in London yesterday as first-time dealings in BP partly-paid shares got under way.

Once the early excitement had died away, however, business waned noticeably in oils and other sectors. It was left to the gilt-edged market to enliven proceedings as hopes of lower interest rates, brought about by the fall in the latest U.S. M-1 money supply figures continued to push this market higher.

BP's £2 partly-paid shares touched 220p before closing at 206p; the old shares ended a couple of pence dearer on balance at 430p, after 440p.

The FT 30-share Industrial Ordinary index, up 3.5 at 10am, had drifted lower to stand 0.4 easier at 3pm before advice from Wall Street prompted a further decline which left the index 4.4 points down at the day's lowest level of 702.5. Details, Page 31; Share Information Pages 32-33.

AUSTRALIA

RESOURCE issues were the major gainers as Sydney stocks recouped their losses of the past week yesterday, spurred on by the larger than expected decline in U.S. money supply.

The All Ordinaries index gained steadily all day to close 12.3 points ahead at 720.3, while the All Resources marker put on 18.4 to 582.2 after strong advances by mining and oil and gas stocks.

SINGAPORE

LIGHT buying combined with a degree of profit-taking to leave prices generally mixed in a nervous and uncertain Singapore market. Major issues were for the most part neglected and, apart from some demand for secondary industrial stocks, the market was stagnant. The Straits Times index was virtually unchanged at 980.56 for a gain of 0.15.

HONG KONG

WILD fluctuations in the exchange value of the local dollar following last week's dive brought life back to a Hong Kong market which has long been depressed by political considerations.

Talk of government moves to strengthen the currency sent share prices and the Hang Seng index shooting up from the opening, only to settle back at a 9 point gain after an hour and at Friday's depressed close by mid-session. But another run in the afternoon pushed the index up 24.54 points to a close of 810.02.

SOUTH AFRICA

THE GOLD sector continued firm in Johannesburg yesterday, despite a slight retreat in the bullion price.

Among heavyweights, Kloof gained R2.5 to R54.50 while cheaper priced producer Welkom rose 50 cents to R16.50 and Elsburg closed 15 cents higher at R4.95.

CANADA

A SHARP downturn in energy stocks marked trading in Toronto yesterday. Golds were also lower at midday but other metals and minerals showed gains and the general market index had edged ahead. In Montreal, prices rose marginally in light trading, although paper producers eased.

TOKYO

Technical
lift ends
easier tone

SHARE prices turned lower in the morning yesterday in Tokyo, despite the good news of a sharp drop in the M-1 measure of U.S. money supply and a rebound in the yen against the dollar. But revived buying interest in blue chips in the afternoon, in advance of securities firms' new accounting year in October, recouped early losses, writes Shigeo Nishitani of Jiji Press.

Bond prices firmed in response to lower long and short-term interest rates in the U.S.

The Nikkei-Dow market average, which closed the morning session 3.86 points down, finished the day 31.78 points up at 9,345.78.

Declining issues outnumbered gainers, 353 to 313, and volume fell, indicating a lack of sparkle in the market. With the new business year just ahead, securities companies are planning to make a market for shipbuilding, heavy electrical and synthetic fibre issues which are comparatively low in price and are expected to show better earnings results.

As shares bought are delivered on the fourth business day following the day of contract, the market in effect enters the month of October today.

Among shipbuilders, Mitsubishi Heavy Industries gained ¥11 to ¥286 and Ishikawajima-Harima Heavy Industries ¥8 to ¥177.

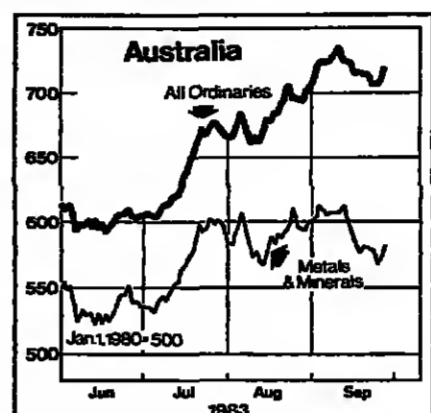
Elsewhere, blue chips gained across a broad front in late active trading, with Matsushita Electric Industrial adding ¥30 to ¥1,780, NEC ¥20 to ¥1,480, Fuji Photo Film ¥40 to ¥2,460, Toyota Motor ¥40 to ¥1,280 and Honda Motor ¥6 to ¥910.

But Sony lost ¥20 to ¥3,740, trimming the early gains posted on good operating results. Arabian Oil, which had once attracted speculative interest, slid ¥280 to ¥4,920 and Aoki Construction also fell ¥19 to ¥980.

Bond prices firmed on lower U.S. interest rates in thin trading. With buying

interest reviving among institutional investors, leading brokerage houses were scurrying to increase their bond holdings.

As a result, the benchmark long-term 7.5 per cent issue, maturing in January 1993, was marked up to yield 7.74 per cent, down from 7.79 per cent last Saturday. The yield on the long-term 7.7 per cent issue, maturing in November 1989, also fell sharply to 7.43 per cent from Saturday's 7.46 per cent.



EUROPE

M-1 surprise
lifts interest
rate hopes

THE PROMISE of a fall in U.S. - and consequently world - interest rates held out by Friday's announcement of a surprisingly large drop in U.S. M-1 money supply imparted a new vitality to European bourses yesterday.

In Frankfurt, the prospect of an easier dollar combined with recent favourable forecasts for West German corporate profits to fuel a steady rise in active trade which pushed the Commerzbank index, calculated at mid-session, ahead 6.1 to 940.9.

Leading the advance, Siemens added DM 5.30 to close at the day's high of DM 346 after rumours of a scrip issue in place of a dividend increase. In other

electricals, AEG gained DM 1.80 to DM 83.90, but Brown Boveri was off DM 3 at DM 223.

Engineering firms were particularly firm, with Linde surging DM 7 to DM 391.50 and KHD DM 6.50 up at DM 257.50. MAN climbed DM 3.80 to DM 142.80.

In motors, Daimler put on DM 3.50 to DM 578.50 while VW gained DM 2.30 to DM 219.70 and BMW, DM 2.70 to DM 385.70.

Friday's stronger U.S. credit markets also encouraged German domestic bond markets and prices firmed by as much as 50 basis points.

Neither the sharp decline of the franc against the D-Mark nor yesterday's 1/2 point rise in the French call money rate to 12% per cent could divert buyers in Paris from their expectations of gains on Wall Street.

Prices opened higher and continued upward in fairly active trading, with gains across the board apart from some selective selling of banks, engineering and oils. Foods were a strong point, with BSW gaining FF 53 to FF 2,048 and Moët Hennessy FF 48 to FF 1,255.

Despite generally quiet trading, a firmer tone in Amsterdam took the General index 1.3 points ahead to a record 144.0. Most issues showed gains, although a few slipped from opening highs.

Philips fell against the trend in international, shedding 70 cents to FF 46.30 on light selling and an absence of U.S. interest. Oce van der Grinten stood out with a FF 3.20 gain to FF 213 while Elsevier, despite falling from its opening level, was FF 8 higher than Friday at FF 405.

Confirmation of the end of the public sector strike lifted sentiment in Brussels. The prospect of improved earnings saw selected stocks firm but the rally was wide based. Holding company Sofina surged BFR 130 to BFR 5,180 while in utilities, Transnucleon added BFR 50 to BFR 3,450.

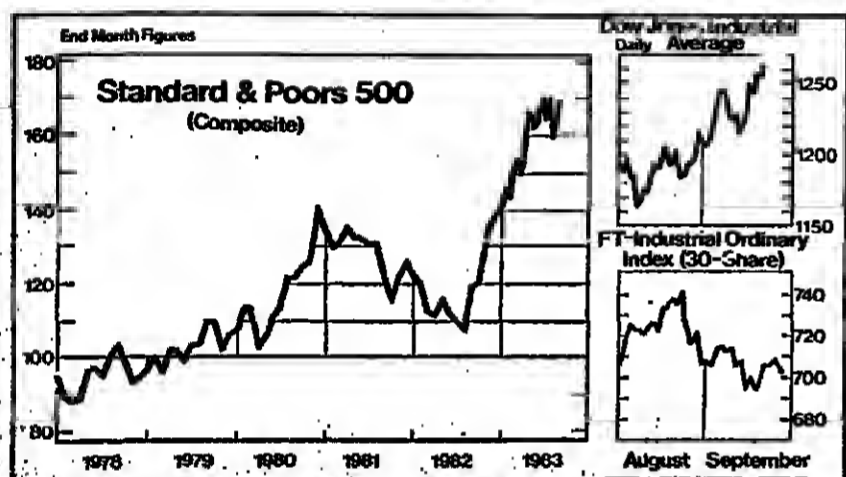
Steel issues were mixed but oils made no progress.

Disappointing half-year corporate results last week dampened enthusiasm in Zurich, and the prospect of a boost for Wall Street stocks failed to encourage buyers. Prices closed mixed.

Trading was subdued in Milan as investors waited to hear the government's plans for dealing with Italy's public sector deficit, and prices closed mixed.

Gainers included Montedison, L2.25 ahead at L204.25, and Italcementi, industrial subsidiary of the Pesenti group.

KEY MARKET MONITORS



NEW YORK	Sept 26	Previous	Year Ago
DJ Industrials	1280.77	1255.59	919.52
DJ Transport	582.66	584.33	369.60
DJ Utilities	134.78	133.43	117.08
S&P Composite	170.07	168.51	123.32

LONDON	Sept 26	Previous	Year Ago
FT Ind Ord	702.50	705.90	580.50
FT-A All-share	450.84	450.90	361.00
FT-A 500	487.98	488.31	400.75
FT-A Ind	437.40	437.90	373.99
FT Gold mines	634.50	625.20	357.90
FT Govt secs	82.43	82.17	79.12

TOKYO	Sept 26	Previous	Year Ago
Nikkei-Dow	9345.78	9280.30	7066.04
Tokyo SE	680.47	684.65	530.68

AUSTRALIA	Sept 26	Previous	Year Ago
All Ord	720.30	708.00	521.10
Metals & Mins	582.60	571.10	418.50

AUSTRIA	Sept 26	Previous	Year Ago
Credit Aktien	54.98	55.02	47.71

BELGIUM	Sept 26	Previous	Year Ago
Belgian SE	133.35	132.24	101.43

CANADA	Sept 26	Previous	Year Ago
Toronto Composite	2598.2	2592.7	1637.0
Montreal Industrials	468.90	466.87	298.92
Combined	441.29	439.19	282.92

DENMARK	Sept 26	Previous	Year Ago
Copenhagen SE	196.54	197.44	88.38

FRANCE	Sept 26	Previous	Year Ago
CAC Gen	139.50	137.60	100.10
Ind. Tendance	149.70	148.40	110.70

WEST GERMANY	Sept 26	Previous	Year Ago
FAZ-Aktien	317.06	314.78	234.86
Commerzbank	940.90	934.80	710.10

HONG KONG	Sept 26	Previous	Year Ago
Hang Seng	810.02	785.48	1086.36

ITALY	Sept 26	Previous	Year Ago
Banca Com. Ind.	196.78	196.93	159.32

NETHERLANDS	Sept 26	Previous	Year Ago
ANP-CBS Gen	144.00	142.70	88.90
ANP-CBS Ind	118.10	114.80	68.90

NORWAY	Sept 26	Previous	Year Ago
Oslø SE	208.36	207.88	103.75

SINGAPORE	Sept 26	Previous	Year Ago
Straits Times	990.56	990.41	665.97

SOUTH AFRICA	Sept 26	Previous	Year Ago
Golds	885.00	872.60	669.40
Industrials	952.90	954.30	675.10

SPAIN	Sept 26	Previous	Year Ago
Madrid SE	closed	115.85	99.78

SWEDEN	Sept 26	Previous	Year Ago
J & P	1478.02	1471.97	676.78

SWITZERLAND	Sept 26	Previous	Year Ago
Swiss Bank Ind	334.80	334.30	250.10

WORLD	Sept 26	Previous	Year Ago
Capital Int'l	182.20	182.00	136.70

GOLD (per ounce)	Sept 26	Previous	Year Ago
London	\$415.625	\$413.125	
Frankfurt	\$415.50	\$413.00	
Zürich	\$415.50	\$412.875	
Paris (fixing)	\$417.60	\$414.06	
Luxembourg (fixing)	\$416.25	\$413.00	
New York (Sept)	\$415.10	\$415.50	



TRW is a widely diversified company on the leading edge of electronics and space technology. Our Pioneer 10 spacecraft (pictured) was the first man-made object to leave the solar system. And TRW electronic components have hundreds of down-to-earth applications - from computer tape drives to television sets.



TRW began as an automotive parts manufacturer over 80 years ago. Today, almost every car and truck on the road contains TRW parts. TRW factories around the globe produce a wide range of automotive parts - from bearings and valves to complete rack and pinion steering systems.



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TRW

A Company Called TRW

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

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AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

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Continued on Page 30

AMERICAN STOCK EXCHANGE CLOSING PRICES

[illegible][illegible][illegible][illegible]

Sept 26	Price	+ or -
ACF Holdings	161	
Boston West	175	+3
AKZO	81.1	+0
ADM	573.5	
AMF	100	-0.1
AMRO	62.8	-0
Broeders Crest	180.5	+1
Booths Wierst	100	+0.1
Buermann-Tel	36	
Credit Hilsen	42.7	+0
Credit Lyfjst Sk	42	-1
Eleaser. HOU NV	405	+0
Enlle	168	+0
EuroCom Tel	102	
Finco	157	+0.1
Heinen	153.5	-0
Hoeve	17.8	
Hoeve Bouling	19.8	
Int Muller	27.7	+0.1
Kaas	104.5	+1.5
Kaasden Inti	44.5	
Ned. Credit Bank	170.5	+0.5
Ned Mid Bank	156.3	-1.6
Ned. Postbank	25.1	-0.6
OCC Grinnet	21.3	+8.8
Ommeren (Van)	50	+1.1
Pakhoed	58.9	-0.4
Philips	23.1	+0.1
Rijn Scheide	5.8	-0
Robins	210	+0.5
Redemso	127.6	-0.1
Robins	210	+0.5
Royal Dutch	138.8	+0
Shell	20.5	+0.1
VNU Sterk	74	-2
VMU	116.7	+1
West Ur Bank	105.3	+0.3

	Sept. 26	Price Aug. 25	% chg.
ACI Group	5.4		+0.1
Acushnet	1.05		
A.O.C.	1.03		
Ampco Pet.	1.86		-0.1
Aust. Nat. Ind.	2.7		+0.1
Aust. Guarant.	2.43		
Aust. Nat. Ind.	2.7		+0.1
Aust. Nat. Ind.	2.7		+0.1
Bond Hldgs.	1.33		
Borol	2.2		+0.1
Brylcreem Copper	2.8		+0.1
Franklin Inds.	2.89		+0.1
Bridge Oil	1.9		+0.1
Chas. E. Jones	12.65		+0.1
CRA	5.99		+0.1
CSH	4.17		+0.1
Chas. & Ute.	4.17		+0.1
Castlemans	4.07		+0.1
Coles (G.I.)	3.5		+0.1
Consolidated Pet.	3.1		+0.1
Consolidated Pet.	3.1		+0.1
Dunlop	1.33		
E.Z. Ind.	6		+0.1
Harpoon Energy	4.94		+0.1
Energy Res.	1.93		+0.1
Energy Res.	1.93		+0.1
Griffin Coal	6.5		+0.1
Mardac	4.05		+0.1
Harpoon Energy	4.94		+0.1
Harold W's Toys	0.6		
ICI Aust.	1.95		+0.1
Harpoon Energy	4.94		+0.1
La Ore Gold	0.27		-0.02
La Ore Gold	0.27		-0.02
MIM	4.82		+0.12
Wayne Nicholas	0.95		
Myer Inc.	1.58		
News Bk. Aust.	9.4		-0.1
News Bk. Aust.	9.4		-0.1
Nichols Kivi.	2.7		
North Bk. Kiwi	5.35		+0.07
Oakbridge	1.22		-0.1
Panama	1.7		-0.08
Panama	1.7		-0.08

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Creditbank	140	+	5
Sikem	113	+	1
Herak Data	265		
Herak Hyems	536	+	2
Staradent	190	+	8
SPAIN			
Sept. 93	Price		
	Pasta	+	-
Bco Bilbao	242		-3
Bco Leizorral	205		
Bco Externar	205		
Bco Hispana	205		
Bco Lander	236		
Bco Viesaya	300		
Gracados	107		
Gracados	147		+0.8
Inerguro	39.8		-6.8
Telefonos	69.5		+0.5
Telefonos	69.5		+0.5
SWEDEN			
Sept. 28	Price		
	Kronor	+	-
AGA	540		-5
Acet	350		-2
ASEA (Frac)	395		
Astra (Frac)	678		
Atlas (Frac)	111		-5
Boliden	440		+7
Cardo	415		
Callulosa (Frac)	698		+6
Electrolux B	227		
Electrolux B	350		
Esacite (Frac)	213		-2
Fagersta	400		
No Och Demejo	100		+10
Pharmacia (Frac)	444		-11
Skanska	943		-4
Skanska (Frac)	943		-4
Skanska	830		+13
Skanska (Frac)	510		

TOOTH	4.2	...
UNION Cons	0.1	+ 0.05
China Light	2.6	...
Western Mining	4.2	+ 0.15
Westpac	5.23	+ 0.08
China Natl. Pet.	1.22	...
Woolworths	0.44	- 0.01
Wormold Int	5.03	- 0.03

HONG KONG			
Sept. 28	Price H.K.\$	+ or -	
Bank East Asia	20.4	-0.6	
Carriam Invest.	0.37	...	
Cheung Kong	7	+0.4	
China Light	2.15	-0.1	
Hang Lung Bank	8.10	...	
Hang Seng Bank	68	-3.25	
Electric	1.2	+ 0.18	
HK Kowloon Wh.	5.27	...	
HK Land	9.9	+0.01	
HK Shanghai Bk	10.5	...	
HK Telephone	29	+0.2	
Hutchinson Wps	10.5	...	
Harline Mktg	10.5	...	
New World Fco	0.45	+0.05	
Orient Oversea	2.6	-0.05	
Oversea-China	2.6	...	
SICH Pros.	4.83	...	
China Trust Bk	7.91	+0.12	
Wheats' Mand A	2.85	+0.11	
Wheats' Mf. Int.	1.90	...	
World Time, Holdings	1.25	...	

JAPAN			
Sept. 96	Price Yen	+ or -	
Ajinomoto	1,020	-30	
Aies Electric	2,890	+50	
Asahi Glass	2,900	...	
Asahi Chem.	295	+6	

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BELGIUM-SCHENBURG			
Sept. 26	Price	+ or -	
ARBED	1,435	+25	
Barinqui & L...	1,650		
Bocaelin B...	2,670	-30	
Ciments St...	2,020		
Cockerill	1,620		
EBES	2,330	-20	
Edelweiss	2,330		
Fabrique Nat...	2,550	-35	
Ge. St. Inne	2,000		
Gravelle	2,500		
Sevair	2,500		
Société Ind...	2,000	+5	
Intercom	2,170	-10	
Levalloise	2,000		
Par. Hingis	1,150		
Petrifins	5,980	+10	
Revalle	5,980		
Sec. Gen. Barq	5,980		
Sec. Gen. Belg...	5,980		
Sofina	1,150	+130	
Thyssen	3,548	-35	
Traction Elect.	2,550		
Ucl	5,950	+50	
Prats Mont...	5,548	-5	

ITALY			
Sept. 26	Price	+ or -	
Baron Com's	28,350	-230	
Bentoni	1,800	-5	
Centrale	1,900	-8	
Gradiate Varesino	3,310	-90	
Industria	1,800	-5	
Finlander	45		
Invest	18,700	-750	
Levalloise	2,864	-5	
Montefiore	204	+24	
Montefiore	204	+24	
Montefiore	204	+24	
Pinelli Co.	2,555	-25	
Pirelli & S...	1,581		
Revalle	5,980		
Sec. Assoc.	11,320	+40	
Geo. Presi...	9,120	+120	

SWITZERLAND		
Sept. 26	Price / FtA	+ or -
Alusuisse	777	-1
Bank Leu	4,800	-75
Brown Boveri	1,823	-30
Chemie Basell	1,200	-10
do. (Part Certs)	1,610	+10
Credit Suisse	2,145	+10
Elektrowerk	1,200	-10
Fischer (Geo.)	820	+10
Genevelec	5,400	-100
Industrie- und Handelsbank	2,100	-10
Hell & Roche	9,025	+85
Jeumont	5,975	+10
Lehmann	1,200	-10
Lanale & Gyr	1,370	+40
Lehmann	2,100	-10
Oer-Buehrle	1,810	-60
Pirelli	259	-50
Sandoz-Bi.	5,576	-50
Sandoz-Ch.	1,035	-10
Schindler (Pctals)	450	-10
Schindler (Pctals)	450	-10
Swiss Bank	305	-1
Swiss Reinsacc	6,800	+230
Swiss Reinsacc	6,800	+230
Union Bank	3,190	-10
Winterthur	2,760	+10
Zurich Inc.	10,400	+85

Dalva House.....	627	-8
Ebara.....	524	-4
Fuji.....	1,100	+20
Fujis.....	7,900	+200
Fuji Bank.....	500	
Fuji Ryokko.....	200	+40
Fujisawa.....	925	-8
Fujiya.....	1,400	-20
Green Cross.....	1,270	-10
Hasegawa.....	468	
Hawke's Real Est.....	561	-1
Hibiya.....	811	+8
Hitchi Credit.....	1,190	+10
Ito.....	510	
Mitsui Food.....	240	
Neya.....	1,530	-80
Ogita Yoko.....	1,100	-20
Okamoto.....	1,410	-20
Takahashi.....	1,640	-10
Tanaka.....	1,640	-10
YAL.....	6,370	-20
Yamada.....	760	-2
Yajima.....	328	-8
Kao Soap.....	600	-3
Kobun.....	520	-10
Kurino.....	414	-4
Koryoku.....	880	-10
Kornatsu.....	499	-5

NOTES — Prices on this page are individual exchanges and are based on the last day's trading.

Ex. Dividend. — Ex. Dividend.

Albercon	1
AE & CI	1
Am Am Coal	2.9
Anglo Am	0.5
Anglo Am Gold	13	+1
Asarco	13
Barlow Rand	15.1
Bulls	65	+7.5
Canada Gals	9.9	+2
Carta Finance	3
De Beers	10.1
Orienteants	38	+0.7
Sci Gold	51.5	+0.5
Sherrill	1.5
Highgold Steel	5.2
Metbank	14.6
MC Bazzars	24.35
Montreal Ridge	+0.97
Tembrant	24.5	-0.1
Tennies	14	-0.5
Union	12.1	+0.05
Page Ridge	6.95	+0.15
Ala Brown	7.66
.....	2.85
.....	0.2	-0.05
.....	5.80

Prices are as quoted on the
 traded prices. S Dealings
 scrip issue. ex R rights.

	Sep 20	Sep 23	Sep 21	Sep 20	Sep 19	1999
Industrial:	1258.77	1255.59	1257.50	1243.29	1223.94	High Low 297.52 (11%)
Transport:	582.85	584.33	583.69	586.39	582.84	174.33 (3%)
Utilities:	134.78	133.43	133.43	133.82	131.45	434.21 (116.4%)
Trading vol 10000's	8648	8310	8705	9127	10385	-
and div yield %			4.43	4.53	4.85	

Since Completion		High	Low
1	1257.52 (22/1/93)	41.22 (2/1/93)	
4	598.04 (1/1/93)	12.23 (1/1/93)	
5	163.32 (26/4/93)	18.05 (26/4/93)	
		-	

(Year Ago Appraised)

5.62

(1/1/88)	582.8	671.1	687.3	979.
(1/1/82)	54.98	55.02	54.94	54.
(2/2/88)	133.55	182.24	181.51	129.
(5/1/88)	198.54	187.44	188.28	135.
(8/1/82)	188.5	187.5	188.1	128.
(8/1/88)	148.7	148.4	145.4	145.
(12/2/88)	817.06	514.75	815.25	814.
Dec1988	840.3	854.8	830.2	834.
(5/1/84)	910.02	788.98	(c)	849.

	814.2 (5/5)	437.8 (4/1)	411.9 (4/1)
92	53.8 (5/5)	48.48 (15/2)	
11	154.45 (1/8)	100.56 (4/1)	
27	204.22 (18/3)	100.00 (8/1)	
5	138.5 (28/8)	98.1 (5/1)	
8	149.7 (28/8)	94.0 (3/1)	
75	501.55 (7/7)	241.88 (25/1)	
8	944.3 (7/7)	737.9 (25/1)	
00	1102.54 (21/7)	751.81 (4/1)	

Composites	178.07	189.51	160.76	160.41	168.25	167.82	22/6	0/1		
							175.99	138.34		
							(2/8)	(5/1)		
and dry yield %	Sep 21		Aug 24		Aug 17		Y			
	3.80		4.65		3.95					
and P/E Ratio	14.59		14.02		14.19					
and Avg Stock Yield	11.50		11.46		11.63					
T.Y.E. ALL COMMON										
Sep 26	Sep 23	Sep 22	Sep 21	1983		RISES AND FALLS				
				High	Low	Sep 26				
				642.62	79.78	Issues traded	1857			
				6/9	(2/1)	Reopen	524			
						Falls	858			
						Up	858			

(22/9/12)	(26/9/12)	NETHERLANDS ANP-CBS Gener ANP-CBS Indust
179.95	4.4	
(22/9/12)	(16/12)	
Year Ago/Approx		
9.18		
9.09		
11.51		
US		
Sept 22	Sept 22	
1875	1856	
763	936	
912	615	
400	492	
NORWAY Oslo SE 14 1,30		
SINGAPORE Straight Times		
SOUTH AFRICA Gold (1856) Industrial (1956)		
SPAIN Madrid SE 15 1,15		
SWEDEN Jacobson & P, (c)		
SWITZERLAND Zurich Bank		
SWITZERLAND Zurich Bank		

1970)	144.0	142.7	141.8	141.1
1970)	116.1	114.8	116.5	112.5
	298.36	287.58	288.57	511.1
1986)	980.58	992.41	987.39	880.0
(U)	972.8	987.8	908.0	
(U)	934.4	953.5	952.0	
2001	101	116.86	116.47	114.0
1958)	1478.82	1471.57	1479.32	1468.0
(11.12.58)	354.0	354.5	355.0	

144.5 (25.8)	108.1 (4.1)
118.5 (22.8)	85.5 (4.1)
214.45 (12.3)	88.81 (4.1)
392.82 (25.6)	712.39 (5.1)
1093.8 (12.1)	894.5 (2.5)
368.7 (28.6)	745.8 (2.1)
129.82 (12.7)	88.22 (11.1)
1522.88 (18.1)	836.19 (31.1)

ALBANY
ALBANY
ALBANY

ALBANY	ALBANY	ALBANY	ALBANY	ALBANY
2986.2	2987.7	2987.1	2971.0	2982.7(27.0)

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Amberley Rd, High Wycombe, 0494 3377			
Equity & Law Unit Trusts (a) (b) (c)			
Amberley Rd, High Wycombe, 0494 3377			
Equity & Law Unit Trusts (a) (b) (c)			
Amberley Rd, High Wycombe, 0494 3377			
Equity & Law Unit Trusts (a) (b) (c)			
Amberley Rd, High Wycombe, 0494 3377			

Offshore and Overseas—continued

Acthond Investment Fund SA			
Acthond Investment Fund SA			
Acthond Investment Fund SA			
Acthond Investment Fund SA			
Acthond Investment Fund SA			
Acthond Investment Fund SA			
Acthond Investment Fund SA			
Acthond Investment Fund SA			
Acthond Investment Fund SA			
Acthond Investment Fund SA			

Italian Life	137.38	+18	14.95
Target Trust Mgrs (Jersey) Ltd			
Target Trust Mgrs (Jersey) Ltd			
Target Trust Mgrs (Jersey) Ltd			
Target Trust Mgrs (Jersey) Ltd			
Target Trust Mgrs (Jersey) Ltd			
Target Trust Mgrs (Jersey) Ltd			
Target Trust Mgrs (Jersey) Ltd			
Target Trust Mgrs (Jersey) Ltd			
Target Trust Mgrs (Jersey) Ltd			

Insurances—continued

Albany Life Assurance Co Ltd			
Albany Life Assurance Co Ltd			
Albany Life Assurance Co Ltd			
Albany Life Assurance Co Ltd			
Albany Life Assurance Co Ltd			
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Dunelm Unit Trust Mgrs Ltd			
Dunelm Unit Trust Mgrs Ltd			
Dunelm Unit Trust Mgrs Ltd			

Save & Prosper—continued			
Save & Prosper—continued			
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Save & Prosper—continued			

INSURANCES

Albany Life Assurance Co Ltd			
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Albany Life Assurance Co Ltd			

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INSURANCE & OVERSEAS MANAGED FUNDS

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1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	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NOTES

* Unless otherwise indicated all figures are in US\$ millions unless stated otherwise.
† Figures in brackets refer to UK figures.
‡ Figures in italics refer to US\$ million unless stated otherwise.
§ Figures in bold refer to US\$ billion unless stated otherwise.
|| Figures in parentheses refer to US\$ million unless stated otherwise.
¶ Figures in brackets refer to US\$ million unless stated otherwise.
Figures in parentheses refer to US\$ million unless stated otherwise.
* Figures in parentheses refer to US\$ million unless stated otherwise.

COMMODITIES AND AGRICULTURE

UK's grain harvest falls in spite of record wheat crop

BRITAIN'S WHEAT crop will be a record 10.7m tonnes this year, Barley production, however, will be 1.5m tonnes down at 9.4m tonnes and the total grain harvest at 20.6m will be 1.5m down on last year's record, with output of oats and mixed corn also lower.

These predictions, announced yesterday at the annual harvest lunch of the UK Agricultural Supply Trade Association (Ukasta), compare with the 21.3m-tonne harvest recently forecast by the Agriculture Ministry.

Mr Alan Price, Ukasta president, said the same harvest pattern appeared to have occurred in the rest of the EEC. The total barley shortfall as against last year in the European Community was estimated as being about 5m tonnes. This was the basis of the very strong trade for malting barley. Imports were being sought on the Continent to make up the shortfall.

Practically no grain was being offered for sale in intervention, as market prices for feed

grains were well above the support level. Some anxiety, however, was expressed about the new quota system governing intervention support-buying for breadmaking wheat in the Community. It is thought doubtful that the UK will be able to obtain a worthwhile quota when the scheme opens in October. The lion's share would mostly go to France.

There was a good deal of comment about the strength of the wheat trade in view of the heavy harvest. It is claimed that prices are too high for the export trade and farmers were being unwise in sticking out for higher levels in view of the record wheat harvest. Exports of wheat from the UK were very low and those for barley looked like being restricted to malting qualities or malt.

The grain trade is dry and in such good order that storage was no problem, Mr Price pointed out. He noted that the high domestic grain prices were bound to make things very difficult for intensive livestock farmers.

Lead prices surge ahead

LEAD PRICES surged ahead on the London Metal Exchange yesterday, reaching the highest level since April this year. Cash lead closed \$9.5 up at \$281.75 a tonne, after gaining \$13 on Friday.

The upward trend was encouraged by news of more North American domestic price rises, with both the American and Canadian markets lifting their quotations by 2 cents to 25 cents a lb following better demand from battery-makers. Heavy speculative buying interest was triggered off by the market

breaking out of its recent narrow price range.

Virtually ignored was yet another rise of 3.75 tonnes in lead stocks held in LME warehouses, taking total holdings to a record level of 215,125 tonnes.

Copper stocks rose again by 8,000 tonnes to a 44-year peak of 375,000 tonnes. Early price gains in the market were wiped out in later trading and the market fell further in after-hours trading.

Zinc stocks rose by 525 to 113,075 tonnes; nickel by 330 to 24,564 tonnes; and silver by 640,000 to 37,520,000 ounces.

EEC stocks of skimmed milk powder double

By Our Commodities Editor

EUROPEAN Community stocks of skimmed milk powder doubled to 1.1m tonnes by the middle of this month, from 549,000 tonnes a year earlier, trade sources said in Hamburg.

The sharp rise took stocks close to the 1977 record of 1.4m tonnes.

West German stocks, accounting for the bulk of EEC intervention, doubled to 662,000 tonnes over the same period. Substantial stocks are also held in the Netherlands, Belgium and France.

THE U.S. House of Representatives' agriculture subcommittee on wheat, soybeans and feed grains will hold a hearing on October 4 to review the European Community's plan to adopt an internal tax on fats and oils consumption.

CRUDE PALM-OIL production by Malaysia this year is projected at 3.15m tonnes, down from just more than 3.52m estimated for last year, the U.S. Agriculture Department's office in Kuala Lumpur says in a field report. Monthly production is now about 250,000 tonnes.

Plantation reports indicate recovery is not in sight.

CORN-GROWERS in the U.S. called for a feed-grain acreage reduction programme next year beyond the 10 per cent to 15 per cent voluntary reduction being considered by the Administration.

HALAL slaughtering is to be supervised by the Australian Government under a new system to cover preparation of meat for all Muslim destinations, following criticism from some Arab states.

SOYA OIL shipped from Brazil or registered to be exported to the U.S. in January crop year was 195,000 tonnes, the foreign trade department of Banco do Brasil said.

Detecting price trends from global weather

A special correspondent looks at the possible impact of the tropical Pacific Ocean's El Niño

ALL OVER the world, this year has been marked by more than its fair share of abnormal weather.

One explanation proposed for recent droughts as far apart as the U.S. Midwest, Australia and South Africa is that they are caused by changes in the surface temperature over a large part of the tropical Pacific Ocean often known as the El Niño.

Originally, the El Niño (Spanish for the child) referred to conditions that appeared in some years off the coast of Peru around Christmas.

Warm water spread over the top of normally cold nutrient-rich coastal waters, with catastrophic effects on the local anchovy fisheries. Now the term has come to mean oceanic conditions which warm surface waters cover much of the tropical Pacific.

The importance of such events is that they are part of a large-scale atmospheric and oceanic fluctuation which occurs on average every three years, but the time between successive El Niños can vary from two to 10 years.

Clearly, if these variations are part of a cycle, then adverse weather then, because they tend to occur in a somewhat predictable manner, they may provide the key to forecasting these extremes.

The broad weather patterns linked with the El Niño have been recognised since the 1920s when Sir Gilbert Walker presented clear evidence of a sea surface effect that "when pressure is high in the Pacific Ocean it tends to be low in the Indian Ocean from Africa to Australia and vice versa."

Only in recent years has it become clear how this behaviour is part of the whole process of the El Niño.

What happens is that in a remarkably predictable way the warm water which first appears off the coast of Peru over the course of a year spreads right the way across the Pacific like a huge tongue.

This development is associated with a decline in atmospheric pressure over the eastern Pacific and a rise over Australia and the Indian Ocean. With it the surface winds along the Equator reverse.

Where the pressure drops, the rainfall rises dramatically—in Chuquibambilla in Ecuador the excess rainfall between October 1982 and June 1983 was nearly three metres—while in the high pressure region drought conditions prevail.

The consequence of these shifts is to alter the pattern of intense convective activity which girdles the earth close to the Equator, and with it the rainfall patterns around the world.

Not only can they explain the drought in Australia but can be implicated in the delay in the onset of the monsoon in India last year and the droughts in northeast Brazil, central America and Southern Africa.

The effect of these unusual patterns are not confined to the tropics. The extreme weather patterns over the United States this summer were probably a consequence of such worldwide changes.

The extraordinary cold winter of January 1977 in the United States and the worldwide abnormal weather patterns in the summer of 1972 have also been linked with

earlier El Niños.

All this gives the impression that there is a simple connection between the apparently predictable variations in the tropical Pacific and the output of, say, the cornbelt of the United States. But there are a number of reasons why things are not as simple as some explanations might suggest.

To start with, the recent El Niño which began in May 1982 appeared first in the western Pacific and worked its way back towards South America. In doing so, it generated a series of extreme weather which surpassed anything on record.

As such, it was so different that there is good reason not to use this exceptional occasion as a guide to normal events.

As an indication of this, an analysis of corn yields in the Midwest of the U.S. over the past 100 years has shown that the years featuring above-average temperatures in the central Pacific tend to record above average harvests. The opposite occurred this year.

Another problem is that in some years when the conditions appear to be ripe for the build up of the El Niño, it inexplicably fails to materialise. So it is not possible to predict when the tropical Pacific is going to warm up until the process is well advanced, by which time the forecasting advantage is much reduced.

This shows that because the tropics are the mighty engine driving much of the weather machine, changes here have major global consequences. But because we know so little about how all the mechanisms operate it is only with hindsight that we can explain the consequences of the changes.

Not until we have a more complete picture of what is happening in the tropics—information which will come with the use of improved satellite systems—will we be able to improve our understanding of how worldwide weather anomalies are linked to events like the El Niño.

Meanwhile, those wishing to detect future movements in commodity prices in current changes in the tropical Pacific should be wary of overestimating the impact of the global weather machine works.

Apple futures market plan

By Our Commodities Editor

A FEASIBILITY study of the proposed apple futures market is to be commissioned. At an informal meeting organised by the Grain and Feed Trade Association (Gafsa) at the request of fruit-trade organisations, it was decided the idea of a futures market for apples was worth studying.

This was the pattern used to set up the highly successful London potato futures market. It is hoped Wye College will conduct a similar study for apples.

Initial suggestions are that the contract should be based on French golden delicious as a standard trading unit, with other varieties at different premiums, and that the market should be geared to the entire EEC, not just to Britain.

There are doubts whether the project will proceed. Gafsa, however, is pressing on strongly with the proposed pigmeat futures contract, and apparently received enthusiastic support from all sections of the industry.

A formation committee meeting will be held next month and it is hoped to launch the market, housed on the Baltic Exchange, early next year.

Dutch potato crop falls

SHARPLY REDUCED yields will cut the Dutch potato crop this year to 2,935m tonnes, against 3,78m tonnes last year, according to an official estimate out late yesterday afternoon.

Average yields for ware and seed potatoes are estimated to have fallen from 33.3 tonnes to 29 tonnes per hectare.

Meanwhile on the London potato futures market yesterday prices moved very erratically in early trading, rallied back to record levels after a sharp drop in early trading, rallied back to record levels after a sharp drop in early trading, rallied back to record levels after a sharp drop in early trading.

Third World wood call

INNOVATIVE FORMS to accelerate establishment of wood-processing industries in developing countries were called for yesterday at an international consultation in Helsinki.

The United Nations Industrial Development Organisation was asked to develop guidelines for long-term collaboration agreements in joint ventures, training, management, marketing and provision of expertise.

Udido was also asked to provide information on existing and new uses of wood in construction, especially on woods suited to needs and conditions of Third World countries.

The meeting, which opened on September 19, was hosted by the Finnish Government and co-sponsored by Unido and the UN Food and Agriculture Organisation.

The consultation, attended by about 200 representatives of government, industry, labour, consumer groups and international organisations, was opened by Mr Seppo Lindblom, the Finnish Minister of Trade. He stressed Unido's catalytic role in the Third World development process and the contribution the system of consultations was making to accelerate industrial progress of developing countries.

PRICE CHANGES

In tonnes unless stated otherwise	Sept. 26	Sept. 27	Month ago
Metals			
Aluminium	21050	21050	
Copper	19990	19990	
Lead	28175	28175	
Nickel	24564	24564	
Silver	37520	37520	
Zinc	113075	113075	
Grains			
Wheat	10700	10700	
Barley	9400	9400	
Oats	10000	10000	
Mixed	10000	10000	
Oilseeds			
Soya	10000	10000	
Wheat	10000	10000	
Barley	10000	10000	
Oats	10000	10000	
Mixed	10000	10000	

BRITISH COMMODITY MARKETS

Commodity	Sept. 26	Sept. 27	Month ago
Metals			
Aluminium	21050	21050	
Copper	19990	19990	
Lead	28175	28175	
Nickel	24564	24564	
Silver	37520	37520	
Zinc	113075	113075	
Grains			
Wheat	10700	10700	
Barley	9400	9400	
Oats	10000	10000	
Mixed	10000	10000	
Oilseeds			
Soya	10000	10000	
Wheat	10000	10000	
Barley	10000	10000	
Oats	10000	10000	
Mixed	10000	10000	

AMERICAN MARKETS

Commodity	Sept. 26	Sept. 27	Month ago
Metals			
Aluminium	21050	21050	
Copper	19990	19990	
Lead	28175	28175	
Nickel	24564	24564	
Silver	37520	37520	
Zinc	113075	113075	
Grains			
Wheat	10700	10700	
Barley	9400	9400	
Oats	10000	10000	
Mixed	10000	10000	
Oilseeds			
Soya	10000	10000	
Wheat	10000	10000	
Barley	10000	10000	
Oats	10000	10000	
Mixed	10000	10000	

LONDON OIL SPOT PRICES

Commodity	Sept. 26	Sept. 27	Month ago
Metals			
Aluminium	21050	21050	
Copper	19990	19990	
Lead	28175	28175	
Nickel	24564	24564	
Silver	37520	37520	
Zinc	113075	113075	
Grains			
Wheat	10700	10700	
Barley	9400	9400	
Oats	10000	10000	
Mixed	10000	10000	
Oilseeds			
Soya	10000	10000	
Wheat	10000	10000	
Barley	10000	10000	
Oats	10000	10000	
Mixed	10000	10000	

GAS OIL FUTURES

Commodity	Sept. 26	Sept. 27	Month ago
Metals			
Aluminium	21050	21050	
Copper	19990	19990	
Lead	28175	28175	
Nickel	24564	24564	
Silver	37520	37520	
Zinc	113075	113075	
Grains			
Wheat	10700	10700	
Barley	9400	9400	
Oats	10000	10000	
Mixed	10000	10000	
Oilseeds			
Soya	10000	10000	
Wheat	10000	10000	
Barley	10000	10000	
Oats	10000	10000	
Mixed	10000	10000	

BASE METALS

Commodity	Sept. 26	Sept. 27	Month ago
Metals			
Aluminium	21050	21050	
Copper	19990	19990	
Lead	28175	28175	
Nickel	24564	24564	
Silver	37520	37520	
Zinc	113075	113075	
Grains			
Wheat	10700	10700	
Barley	9400	9400	
Oats	10000	10000	
Mixed	10000	10000	
Oilseeds			
Soya	10000	10000	
Wheat	10000	10000	
Barley	10000	10000	
Oats	10000	10000	
Mixed	10000	10000	

NICKEL

Commodity	Sept. 26	Sept. 27	Month ago
Metals			
Aluminium	21050	21050	
Copper	19990	19990	
Lead	28175	28175	
Nickel	24564	24564	
Silver	37520	37520	
Zinc	113075	113075	
Grains			
Wheat	10700	10700	
Barley	9400	9400	
Oats	10000	10000	
Mixed	10000	10000	
Oilseeds			
Soya	10000	10000	
Wheat	10000	10000	
Barley	10000	10000	
Oats	10000	10000	
Mixed	10000	10000	

TEA AUCTIONS

Commodity	Sept. 26	Sept. 27	Month ago
Metals			
Aluminium	21050	21050	
Copper	19990	19990	
Lead	28175	28175	
Nickel	24564	24564	
Silver	37520	37520	
Zinc	113075	113075	
Grains			
Wheat	10700	10700	
Barley	9400	9400	
Oats	10000	10000	
Mixed	10000	10000	
Oilseeds			
Soya	10000	10000	
Wheat	10000	10000	
Barley	10000	10000	
Oats	10000	10000	
Mixed	10000	10000	

COTTON

Commodity	Sept. 26	Sept. 27	Month ago
Metals			
Aluminium	21050	21050	
Copper	19990	19990	
Lead	28175	28175	
Nickel	24564	24564	
Silver	37520	37520	
Zinc	113075	113075	
Grains			
Wheat	10700	10700	
Barley	9400	9400	
Oats	10000	10000	
Mixed	10000	10000	
Oilseeds			
Soya	10000	10000	
Wheat	10000	10000	
Barley	10000	10000	
Oats	10000	10000	
Mixed	10000	10000	

WOOL FUTURES

	52.70	53.35	52.60	52.80
Dec	54.30	54.40	54.30	53.90
MAIZE 5.00 bu: cents				
15-bushel				
	Close	High	Low	Prev
Dec	349.0	354.4	345.4	354.2
March	354.0	361.2	362.0	361.2
May	356.0	363.8	364.8	364.6
July	357.0	362.0	364.0	367.0
Sept	331.4	336.0	326.0	337.5
Dec	310.5	317.4	310.0	318.0
PORK BELLIES 38.00 lb: cents/lb				
	Close	High	Low	Prev
Feb	63.50	64.80	59.40	59.20
March	60.37	60.85	59.70	59.37
May	62.35	62.55	61.65	61.45
July	63.40	63.75	62.80	

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

M1 weakens dollar in thin trade

Frieder's fall of \$3.1bn in U.S. weekly M1 money supply was much larger than expected, sending the dollar down sharply in New York. The trend continued in Europe yesterday but in a slower pace in thin trading, as the markets awaited indications of a Federal Reserve monetary policy and lower U.S. interest rates. The downward drift was also encouraged by expectations of another large U.S. trade deficit to be announced on Wednesday.

Sterling moved down with the dollar, showing little reaction to the UK August trade figures. As expected these were better than the deficit recorded in July.

London's trade-weighted index (Bank of England) 127.4 against 122.1 six months ago. The dollar has retreated from the peaks touched in August, amid growing hopes that a sustained fall may be imminent following several weeks of good M1 money supply figures. The Federal Reserve monetary policy, leading to lower U.S. interest rates, has been anticipated for some time but previous disappointments will encourage some market caution.

The dollar fell to DM2.6445 from DM2.6570 against the

D-mark, to FFf 8.0175 from FFf 8.04 against the French franc; to Swf 2.1425 from Swf 2.15 in terms of the Swiss franc; and to ¥237.70 from ¥238.80 against the Japanese yen. Sterling's trading range against the dollar in 1983 has been 1.5247 to 1.5658. August average was 1.5445. Trade-weighted index 127.4 against 122.1 six months ago. The dollar has retreated from the peaks touched in August, amid growing hopes that a sustained fall may be imminent following several weeks of good M1 money supply figures. The Federal Reserve monetary policy, leading to lower U.S. interest rates, has been anticipated for some time but previous disappointments will encourage some market caution.

EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	% change	% change	Divergence
ECU	100	0.00	0.00	0.00
Belgian Franc	40.339	+0.02	+0.02	+0.02
Dutch Guilder	36.363	+0.02	+0.02	+0.02
German Mark	2.3636	+0.02	+0.02	+0.02
French Franc	6.5596	+0.02	+0.02	+0.02
Italian Lira	2036.27	+0.02	+0.02	+0.02
Spanish Peseta	166.637	+0.02	+0.02	+0.02
Portuguese Escudo	200.482	+0.02	+0.02	+0.02
Irish Punt	7.8756	+0.02	+0.02	+0.02
Greek Drachma	340.750	+0.02	+0.02	+0.02

Changes are for ECU, unless positive change is a weak currency. Adjusted calculated by Financial Times.

OTHER CURRENCIES

Currency	Unit	% change	% change	Divergence
Argentine Peso	100	+0.02	+0.02	+0.02
Australian Dollar	1.00	+0.02	+0.02	+0.02
Canadian Dollar	1.00	+0.02	+0.02	+0.02
Swedish Krona	100	+0.02	+0.02	+0.02
Swiss Franc	1.00	+0.02	+0.02	+0.02
Yugoslav Dinar	100	+0.02	+0.02	+0.02

THE POUND SPOT AND FORWARD

Day's	Close	One month	%	Three months	%
Sept 26	1.5445	1.5445	0.00	1.5445	0.00
Sept 27	1.5445	1.5445	0.00	1.5445	0.00

EXCHANGE CROSS RATES

Currency	Unit	% change	% change	Divergence
U.S. Dollar	1.00	+0.02	+0.02	+0.02
Japanese Yen	100	+0.02	+0.02	+0.02
West German Mark	1.00	+0.02	+0.02	+0.02
French Franc	100	+0.02	+0.02	+0.02
Italian Lira	100	+0.02	+0.02	+0.02

MONEY MARKETS

London rates continue to ease

UK clearing bank base lending rate 9 1/2 per cent (since June 14)

Short-term interest rates continued on a downward path on the London money market yesterday, reflecting the lower trend in Eurodollar rates, following Friday's decline in the New York Federal Reserve rate. The announcement was much better than expected M1 money supply figures.

In anticipation of a possible cut in UK bank base rates, the discount houses remained reluctant to sell bills outright to the authorities as the Bank of England again declined the opportunity to reduce its dealing rates with the market. A very large shortage had been forecast of about £500m, and this was upgraded to £800m in the early afternoon, but then back to £500m slightly later.

Major factors were bills maturing in official banks, repayment of late assistance, and a takeover of Treasury bill from Friday's tender amounting to £500m. Exchange transactions absorbed another £375m, but these were partly offset by a fall in the debt circulation of £254m.

In a move to take most of the sting out of the market, and remove any uncertainty, the Bank of England announced at noon that official dealing rates were unchanged, and at the same

time bought £750m bills for resale in equal amounts on October 4 and 5 at rates of 9 1/2 per cent.

After lunch the authorities picked up a few short-dated bills by buying outright £5m bank bills in band 1 (up to 14 days maturity) at 9 1/2 per cent; and £7m bank bills in band 2 (15-33 days) at 9 1/2 per cent.

LONDON MONEY RATES

Rate	Unit	% change	% change	Divergence
Overnight	100	+0.02	+0.02	+0.02
Three months	100	+0.02	+0.02	+0.02
Six months	100	+0.02	+0.02	+0.02
One year	100	+0.02	+0.02	+0.02

INTEREST RATES

EURO-CURRENCY INTEREST RATES

Rate	Unit	% change	% change	Divergence
Overnight	100	+0.02	+0.02	+0.02
Three months	100	+0.02	+0.02	+0.02
Six months	100	+0.02	+0.02	+0.02
One year	100	+0.02	+0.02	+0.02

FT LONDON INTERBANK FIXING

Rate	Unit	% change	% change	Divergence
Overnight	100	+0.02	+0.02	+0.02
Three months	100	+0.02	+0.02	+0.02
Six months	100	+0.02	+0.02	+0.02
One year	100	+0.02	+0.02	+0.02

The fixing rates are the arithmetic means, rounded to the nearest one-tenth of a basis point, of the rates quoted by the market to five major banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Paribas de Paris and Morgan Guaranty Trust.

The pound traded within a fairly narrow range of \$1.5010 to \$1.5075. It opened at \$1.5060, fell to \$1.5010, and closed at \$1.5035. A rise of 20 points in the Dow Jones industrial average on the other hand sent sterling to DM 3.58 from DM 3.5925; to FFf 12.0550 from FFf 12.0725; to Swf 2.3250 from Swf 2.325; and to ¥237.75 from ¥238.50.

D-MARK — Trading range against the dollar in 1983 has been 2.7315 to 2.7325. August average was 2.7325. Trade-weighted index 126.3 against 121.4 six months ago. Until the recent easing of U.S. M1 money supply growth, the D-mark had been at its lowest level against the dollar for nearly 10 years, reflecting the large differential between U.S. and German interest rates.

CURRENCY MOVEMENTS

Currency	Unit	% change	% change	Divergence
U.S. Dollar	1.00	+0.02	+0.02	+0.02
Japanese Yen	100	+0.02	+0.02	+0.02
West German Mark	1.00	+0.02	+0.02	+0.02
French Franc	100	+0.02	+0.02	+0.02
Italian Lira	100	+0.02	+0.02	+0.02

CURRENCY RATES

Currency	Unit	% change	% change	Divergence
U.S. Dollar	1.00	+0.02	+0.02	+0.02
Japanese Yen	100	+0.02	+0.02	+0.02
West German Mark	1.00	+0.02	+0.02	+0.02
French Franc	100	+0.02	+0.02	+0.02
Italian Lira	100	+0.02	+0.02	+0.02

THE DOLLAR SPOT AND FORWARD

Day's	Close	One month	%	Three months	%
Sept 26	1.5445	1.5445	0.00	1.5445	0.00
Sept 27	1.5445	1.5445	0.00	1.5445	0.00

EXCHANGE CROSS RATES

Currency	Unit	% change	% change	Divergence
U.S. Dollar	1.00	+0.02	+0.02	+0.02
Japanese Yen	100	+0.02	+0.02	+0.02
West German Mark	1.00	+0.02	+0.02	+0.02
French Franc	100	+0.02	+0.02	+0.02
Italian Lira	100	+0.02	+0.02	+0.02

A softer tone in U.S. rates together with a rise in the German Lend Lease rate have served to narrow the gap, however, as the Bundesbank has moved to counter excessive money supply growth.

The dollar lost ground at yesterday's fixing in Frankfurt following a fall in U.S. M1 money supply and a weaker trend in Eurodollar rates. It was fixed at DM 3.5844, down from DM 3.5845 and there was intervention by the Bundesbank. The U.S. unit did show some recovery from a low of DM 3.5850 as the unit attracted fresh buying. A decrease in Middle East tension was also a factor behind the dollar's decline. Within the EMS the French franc fell to a record low of DM 33.005 per FFf 100 from DM 33.04.

ITALIAN LIRA

Trading range against the dollar in 1983 has been 1.61875 to 1.643. August average 1.6387. Trade-weighted index 126.3 against 121.4 six months ago. The lira has been at its lowest level against the dollar for nearly 10 years, reflecting the large differential between U.S. and Italian interest rates.

FINANCIAL FUTURES

Euro-dollar prices opened firmer in the London International Financial Futures Exchange yesterday. This followed Friday's announcement of a fall in U.S. M1 money supply of \$3.1bn, reinforcing market hopes of a slightly more relaxed attitude by the Federal Reserve Board in its control of money supply. However, prices tended to ease from opening levels to finish close to the day's low.

STERLING

Market intervention just recently to increase liquidity has been discounted as reflecting seasonal distortions due to tax payments and the accommodation of the Fed's latest refunding package. The December Euro-dollar price opened at 90.43 up from 90.23 at Friday's close and touched a high of 90.45 before drifting away to a close of 90.35 only just above the day's low of 90.34.

CHICAGO

Rate	Unit	% change	% change	Divergence
Overnight	100	+0.02	+0.02	+0.02
Three months	100	+0.02	+0.02	+0.02
Six months	100	+0.02	+0.02	+0.02
One year	100	+0.02	+0.02	+0.02

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FINANCIAL TIMES SURVEY

"THIS COUNTRY, Italy, is the engineering granary of Europe." The words were spoken long ago, on the morning of the Second World War, by Vittorio Valletta, chairman between 1946 and 1966 of Fiat, Italy's largest industrial enterprise in private hands.

Valletta, whose sternness and simplicity won him both enemies and friends, was more than any other responsible for the emergence of Fiat from the wreckage of war to become the symbol of the booming Italy of the "economic miracle" of the 1950s and 1960s. Times of course have hugely changed and his remarks, to a Parliamentary commission examining the prospects of industrial reconstruction in 1966, have an odd ring now as Italy struggles to break free of the gloom which for three years has gripped its and most of the world's economy.

Valletta drew his optimism from the then cheapness of local labour costs, the inventiveness of the Italian people and from the fact that—however aggressive the unions might sound in those days of the Cold War and deep ideological divisions—in the last analysis, they could always be cowed by the economic facts of life.

BY RUPERT CORNWELL

In the event his very success at Fiat did much to promote the emancipation of the unions from the late 1950s onwards and the consequent rise of Italian labour costs to among the highest in Europe. This development in turn spurred what might be termed "industry's revenge," which has gathered force since the failure of the historic strike at Fiat in the autumn of 1980.

Even so signs of renewed richness in the granary are in many respects hard to discern today. In April industrial production dropped 14 per cent from 12 months earlier, the heaviest such decline in eight years. Unemployment stands officially at over 2m; by some calculations the figure would be half as much again, were the concealed unemployment represented by the system of state subsidised lay off, or *cassa integrazione*, taken into account.

The losses of state industry have touched new peaks; the Italian public steel industry is in a state without precedent, as

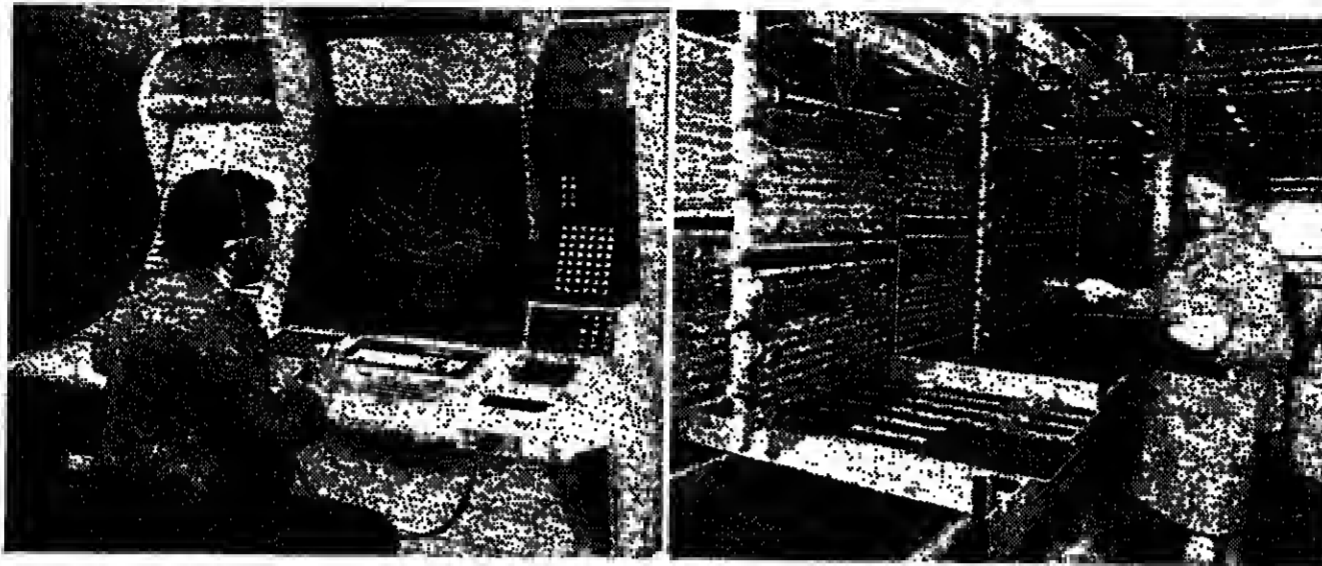
it reaps the fruit of years of refusal to face self-evident truth. What hopes of recovery exist, are compromised by continuing high interest rates, themselves reflecting the failure of a succession of weak coalition governments to tackle the huge, and remorselessly increasing, public sector borrowing requirement, and the inflation it has largely been responsible for generating.

And yet in 1983, the optimism of Valletta is not entirely unfounded. There is of course the recovery of his own Fiat and much of Italy's big private sector industry; and there are success stories and bright prospects in places of which he would probably scarcely have dreamed. The outcome of the five week strike at Fiat in September and October of three years ago has sent out its ripples into the furthest corners of the national economy.

As so often, Italian industry, like other facets of the country, is hard to read. On the one hand there is the gloomy scene depicted above, and nowhere more so than in the public sector. True, some of the engineering businesses controlled by the three state-run conglomerates—IRI, ENI and ENEL—thrive; Italmobiliare, Saipem, Snamprogetti and (with reservations) the aerospace activities of IRI and EFIM. Even the telecommunications sector, of IRI, long burdened by debts and deficits, seems to be turning the corner, thanks in no small measure to more realistic pricing policies.

The fact remains, however, that last year the three corporations, which employ almost 700,000 people, registered a combined loss of almost L4,800m (\$3.2bn)—thanks to the poor performance of their activities in cars (Alfa Romeo), shipbuilding, chemicals and synthetic textiles, and, above all, steel. Consider the steel arm of IRI which is at the eye of the storm over the Brussels Commission's demands for huge capacity cutbacks in Italy, lost L1,436m (\$966m) in 1982, and worse still is on the cards for 1983.

Plans for restructuring public industry come and go; and Sig Giam di Micheli, the Minister for State Shareholdings through much of the last Parliament, has talked a vigorous campaign to this end. But Italy's social and political realities have meant that thus far the battle has been unavailing. And steel, with the loss of 20,000 jobs or more implicit in the Brussels blueprint, will be a sterner task than any.



Italy's Selenia is among Europe's leaders in air traffic control systems (above left). Italtel (right) is hoping to close the gap with the world giants in telecommunications equipment through an agreement with GTE of the U.S. to build a new type of digital exchange

Italian Engineering

Highly successful in parts, the sector as a whole still faces pressure. Industrial production is falling, the country is dangerously weak in high technology and the inadequacies of the state bureaucracy are helping neither trend. There are, however, grounds for optimism, particularly on the labour front.

And yet, there is much ground for encouragement. The collapse of the 1980 strike allowed Fiat to effectively make 23,000 workers redundant, and achieve rises in productivity of 20 per cent or more, bringing the group back in line with its main European car industry competitors. Before Fiat, Olivetti under its dynamic chief executive Carlo de Benedetti, had already revitalised itself. Pirelli has pushed through a successful reorganisation; while even Montedison, the chemical group and the

fourth member of the small number of genuinely multinational Italian concerns in private hands, sounds more cheerful than for some while—despite a record 1982 loss of close on L900m (\$530m). Such large enterprises however, while greatly influencing the system, are the exception rather than the rule. The 1981 national census discovered, to no-one's great surprise, that the average size of the country's 950,034 classified productive units was a mere 7.4 workers apiece. Confirmation, were any

needed, of how small and medium sized industry is the backbone of Italy's economy. As if to mirror this truth, the industrialised part of the country has now spread out of the old "triangle" of Lombardy, Piedmont and Liguria in the North-West to embrace the Veneto region to the east, and Emilia Romagna, Tuscany, to the south as well. Industrialisation moreover has promisingly reached down the Adriatic seaboard as far as Bari and beyond. Sometimes the structure takes the form of the one-

industry town: Sassuolo, near Modena, which specialises in ceramics, Valenza Po, east of Turin (jewellery) and Solofra, inland from Naples (leather) and tanning, are but three of a myriad examples. It is a structure which combines the Italian love of the little unit with the potential for economies of scale, given the geographical clustering of similar small companies. Then there are the productive units "unclassified" in the census—the famous Italian "submerged" economy. How

big it is—10, 20, or even 30 per cent of the national economy—no-one is sure. By its nature it is unquantifiable, even if tangible enough to spur frequently industrial competitors of Italy (notably France) to complain that Italian exporters benefit from unfair advantages inherent in the submerged or "black" economy, such as extra-low labour costs and the virtual absence of trade unions, allowing workers to be exploited.

In fact, however, the gap between big and small, and official and unofficial, has narrowed in recent years. In 1979 and 1980, the former epitomised what was worst about Italian industry, the latter what was best. Now, however, as big companies have been forced to make themselves more efficient, the smaller ones have been hit in turn by the recession, and the consequences of their very success.

In the meantime the renegotiation last January of the 1975 "scala mobile" agreement on wage indexation, and long delays in settling new three year wage contracts for key categories of workers (above all Italy's 1.5m metal and engineering workers) have applied some brake to the constant growth in labour costs, and unit production costs for big industry.

But however ambiguous the picture may seem, there are some points about Italian industry on which everyone agrees. The first is that the country remains dangerously weak in the high technology field. Despite the enduring success of Italian exports of traditional products like clothes, shoes and designed goods, and of more advanced products like cars and machine tools, Italy has little choice but to venture much further into the highly specialised, value added sector which offers the best rewards for advanced, high-cost countries like itself.

The huge amount of resources consumed to no point by the steel industry, now vulnerable to competition from the Third World as well as the permanent decline in the appeal of steel as a raw manufacturing material, illustrates the waste that attachment to the old can cause.

High technology industry, and the research and development activity on which it depends, are in turn a prime victim of that other notorious failing of Italy, the inadequacies of its governments and the bureaucracy of the state. If the private financial sector may be criticised for its lack of flair,

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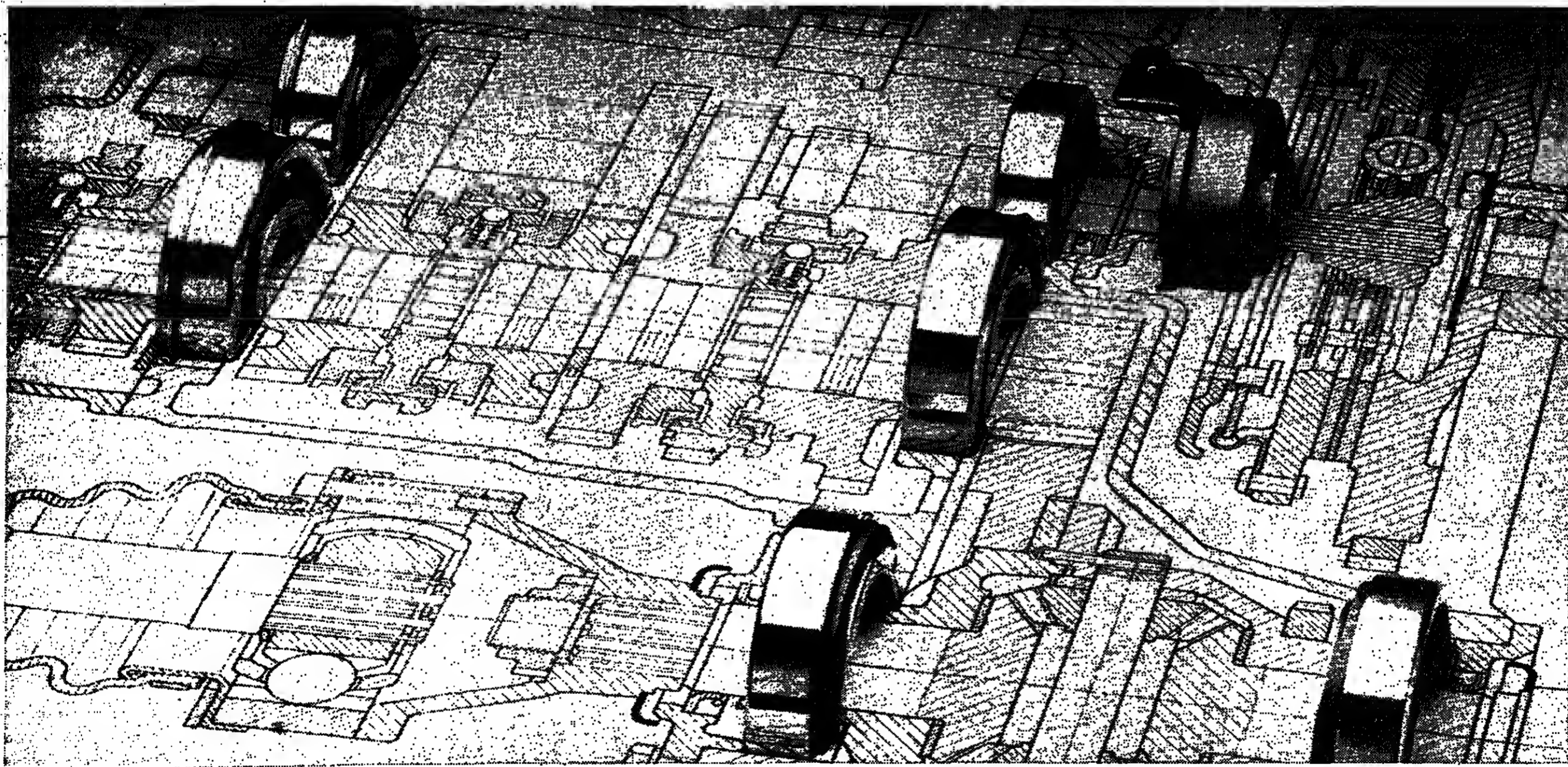
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and readiness to take a risk on a promising new scientific venture, then the state and its appendages have signally failed in their job of encouraging research and innovation.

True, a L1,500bn fund was approved earlier this year for such purposes; but thus far not a lira has been actually disbursed, at least not to Fiat, one of the prime intended beneficiaries. The results may be seen in recent OECD figures which show that between 1978 and 1980 Italy was the only major industrial nation to run a deficit (of \$2.5bn over the three year period) in its trade of "technologically advanced" products.

Thus far the country has managed to square the circle by a steady depreciation of the value of the lira, ensuring that the currency competitiveness of its exporters has remained more or less intact. The rest, by government default, is left to the flexibility and resourcefulness of the people, and the interplay of forces among them.

Today, the tide is still moving back to management from the unions; but as for that "engineering granary" talked about by Valletta, it remains, like the proverbial glass of water, either half full or half empty, depending on your point of view.



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ITALIAN ENGINEERING II

Flexible system based on small units

ORGANISATION JAMES BUXTON

"Other countries' diesels may often be just as good, but they don't have the special centre that we have," says Giuliano Ruggerini, who runs Ruggerini, the medium-sized Italian manufacturer of high speed diesels.

Ruggerini is based outside Reggio nell'Emilia, on the southern side of the Po valley. What Signor Ruggerini means is that it is easier to sell his diesels because Reggio is not only the centre of the Italian agricultural machinery industry—a big user of diesels—but also the base for a big network of engineering companies of different sizes. Other things being equal, they will buy his diesels, rather than foreign ones.

Not only has Ruggerini got a ready market for its diesels on the small tractors and motorised farm implements of Goldeni, the main Italian company in this sector which is at Reggio. It also relies on another feature of the Reggio area—the mass of small, even microscopic engineering companies which supply its components.

Ruggerini, which had a turnover in 1981 of L27bn, employs about 350 people. But it is also the principal employer of a further 600 "external workers". These may consist of a small subcontractor employing about 20 people, down to a man and his son working at home. Ruggerini subcontracts to them the manufacture of a good part of its components, including sophisticated and high-stress items.

Many of the "external workers" are former employees of Ruggerini, who decided to set up on their own, borrowing machines from the company to do so. Others lease machines or buy their own. There are all kinds of relationships between the external workers and the main company, testifying to the diversity and imagination of the people and firms involved, and the external workers are not bound to work only for Ruggerini.

Reggio nell'Emilia and its complex of engineering concerns is a good example of how the Italian engineering industry is organised. There is no single big company in the area, only the Reggiane engineering works, Lombardini, Ruggerini's larger rival in the diesel field, and a few other companies. There might not seem to be much difference between Reggio and a town in the West Midlands of Britain.

But one difference is the

greater cohesion that seems to exist between the different firms. Another is the greater degree to which the smaller subcontractors disappear into the submerged economy that area where labour costs are lower (because social security and pension contributions are avoided) and taxes can often be evaded.

Through the great companies like Fiat and Ansaldo are Italy's best known industrial concerns, the typical form industry takes in Italy is increasingly the small firm; little concerns which have sprung up all over the country in the past two decades, to accommodate the drift of post-war population from the countryside to the cities. The engineering companies are at the more sophisticated end of this process.

Protective

The growth of small engineering firms got a second boost at the end of the 1960s and the beginning of the 1970s when the highly protective labour and social security legislation which followed the "hot autumn" of 1968 made many companies decide to split themselves into smaller units, and farm out more of their work to subcontractors and "external workers".

The submerged economy is one of the factors that helped Italy remain competitive in export markets despite having some of the highest labour costs in Europe. The submerged economy makes use of the fact that a family unit, whether running a trattoria or a lathe, is not obliged to pay social security contributions for its workers. Small units are more obviously manageable than big ones, and families who have recently turned into industrial entrepreneurs from being peasant farmers are no strangers to hard work and long hours.

Dr Romano Prodi, the economist who is now chairman of IRI, Italy's vast industrial holding company, has invented a term to describe the system in Reggio and other northern Italian towns. He calls it "economy of scale at the level of the system rather than of the individual unit." Few of the companies in a place like Reggio can do everything under their own roof; they draw on specialist companies for whom certain jobs are more economic than for the big ones. The system works because everyone involved knows what everyone else is capable of.

FINANCE

RUPERT CORNWELL

IF THERE are two things that Italian industrialists never tire of complaining about they are the difficulty of obtaining finance—and, when they can get it, the cost.

They will tell you about the shortcomings of the stock market as a source of risk capital, the tight credit difficulty of obtaining finance—even properly voted—funds loose from an inefficient state.

They will then, in all likelihood, move on to some robust criticism of the country's banking system, of its conservatism, its sloth and its insensitivity to the requirements of industry.



Agricultural engines on the assembly line at Lombardini's factory in Reggio nell'Emilia. Although no longer small, the company relies on many small firms which supply it with basic parts by exclusive contract.

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Another example of this system is at Lumezzane, just outside Brescia in Lombardy where about 1,100 industrial concerns employing 9,000 people make more than 600 separate products—mostly in the field of plumbing equipment, taps and siphons. There, as elsewhere, the slightly larger firms employ men who are also running their own workshops, in their spare time, often putting their families to work.

The result of the 1981 census of Italian businesses seems to bear out the trend: it showed that though the number of Italian engineering companies had grown by 45 per cent to 139,000 since 1971, the number of their employees had grown by only 25 per cent. The average number of employees per company fell from 14.2 to 12.2, and 82 per cent of all

engineering companies employed less than 10 people.

One of the strengths of this subdivision of the engineering industry is that production can be stepped up or run down very quickly, a considerable advantage over European competitors who have a more viscous labour base. It also means that capital requirements can be spread over a larger number of units, though the role of the banks in providing funds is crucial. Fortunately, Italy has several specialised medium and long-term credit institutions which often give subsidised loans.

On the other hand, the small units suffer when there is a downturn, and there is no other official safety net for them. Signor Ruggerini says that a 15 per cent cut in production at the diesel factory would mean a 50 per cent contraction for the external workers, since a higher proportion of the work then gets done in the factory, instead of outside it.

The decentralisation and fragmentation of the Italian engineering industry does not just apply to places like Reggio or Lumezzane. Giants like Fiat rely heavily on capillaries of medium and small suppliers, both in car production and in other sectors, such as tractors and industrial vehicles. But a major change is taking place in the way Fiat Auto, the car maker, buys its components, and this could herald significant changes for the rest of Italian engineering.

Until recently Fiat Auto was dealing directly with about

5,000 separate suppliers. Components trickled into the factory, and a lot of pre-assembly work had to be done in the factory, which did nothing to help labour costs or keep the workforce content. Because many of the little suppliers were specialists they were often able to drive hard bargains with Fiat over price.

Pre-assembly

But last spring Fiat Auto called a halt. It decided to copy the Japanese system, where car companies deal with a small number of principal suppliers who may obtain components from other firms, but who do a considerable amount of pre-assembly work. Fiat's aim is to cut the number of suppliers with whom it deals directly to about 1,000, and the company is insisting on lower prices (by threatening if necessary to use its business to suppliers outside Italy altogether) and more pre-assembly work.

The "Japanisation" programme means that Borletti, which makes instruments, is now providing Fiat with complete dashboards for the Fiat Uno car instead of handing over individual instruments for Fiat to assemble itself. More and more companies are reaching agreements with Fiat to conform with the new policy, and though it is said in the Turin area, which is particularly affected by the move, that unemployment and lay-offs have only been exacerbated, Fiat argues that the policy simply means the transfer of some work from inside Fiat's plants to outside.

Search for private capital intensifies

Like much of the complaining within, and about, Italy, it tends to be overdone. But few would deny that it contains much truth. Italy's stockmarket is inadequate for a country of its size and industrial advancement. High interest rates, and the consequent astronomical cost of servicing debt have brought many large—and not a few smaller—companies to their knees, at a time when their actual productive operations are profitable.

And the Government, for all the thousands of billions of lire which feature in the plans drawn up for industry, invariably pays late—and not infrequently not at all.

Under-capitalisation is a problem at the root of the financial difficulties of industry. It has occurred for two reasons. The first is the longstanding inability of the Bourse to generate

risk capital (although that has been changing somewhat recently: the net issue of new shares rose from L3,065bn in 1980 to L7,156bn in 1981 and L4,004bn in 1982). The second is the reluctance of often family-owned companies to go public, and thus see a dilution, if not outright loss, of control of their destiny.

Inevitably, this void has been filled by heavy reliance on mainly short-term borrowing from the commercial banks. Up to a point it is a system which has worked adequately; the richest tissue of Italian industry is its medium and small-sized companies, of strong local loyalty and flavour, the highly fragmented and localised structure of the Italian banking system has naturally meshed closely with such industry.

It is an explanation, among others, for the apparent paradox of industry's managing to promising terrain for such initiatives. But that is for the future. A more immediate prospect is the device of the "merchant bank," openly advocated by Dr Ciampi, in May. The merchant bank, in its Italian version, would be a special division of a much larger credit institute, which only been created, a company to market, by offering a sophisticated range of financial and other consultative services and expertise, it would meet the needs above all of the smaller company, unable on its own to afford such essential services.

The device indeed is already in practice: Mediocredito Centrale, one of the most important special credit institutes, has been operating for a year on a specialised merchant banking subsidiary, called Società Finanziaria di Partecipazioni (SOFIP).

Its aim is to take temporary minority holdings (perhaps between two and four years on average) in small and medium sized companies, but without getting directly involved in their day-to-day management. The investment would be made according to strict criteria of credit worthiness, and on a case-by-case basis. At the end of the period the little company would have grown to stand on its own two feet, or even to float off part of its capital to the public.

Reorganisation For once, moreover the Government has been setting something of an example. REL, the new state-owned financial company established to supervise the reorganisation of Italy's troubled consumer electronics industry, is nothing if not one of these new creatures. It has already taken under its wing more than a dozen small electronics manufacturers, with the commitment to sell any minority shareholdings within five years. At that point its proteges must swim or sink.

Whether even REL proves a case of too little, too late, will be seen in due course. But it could offer a more promising avenue for state intervention than the previous array of legislation on offer. This, broadly consists of three laws, of which the best known is Law 675 of 1977, aimed at helping industrial reconversion and restructuring. The principal problem has been that money allocated is not paid out.

Somewhat more productive has been Law 787 of 1978, sponsoring the formation of banking consortia to help out companies in temporary financial difficulties. The trouble has been the definition of "temporary." Where the difficulties have indeed been merely passing ones, as in the case of Pirelli and Sella Viscosa, the scheme has worked well. Where it has been attempted in cases of companies beyond salvation, such as the SER and Liqichemica chemical groups, it has failed.

Last but not least, is the potential contained in the law passed in 1982, instituting a fund for technological innovation, worth L1,500bn. Not only does the measure tackle a major weakness of Italian industry, its lack of research and development spending, but it provides for evaluation of projects by a specialist team of officials at the Industry Ministry, without cumbersome approval beforehand by the banks. Fiat in Turin should be one of the first beneficiaries of this new law. True to form however, it has not yet received a single lira.

Separate roles But the mood is changing, though perhaps not to the extent of countenancing a change in the law itself. Instead new, sometimes circuitous, means are being examined of getting round the difficulties of the separate roles, and enlarging the role of the stock market. One was the belated introduction of unit trusts; another is the growing move towards allowing private, and thus, it is argued, more entrepreneurial minority stakes in some of the biggest state-owned banks.

A third straw in the wind was a recent conference promoted by Olivetti on the system of "venture capital," now operating in the U.S.—that means of raising private finance to back a company in the crucial phase between its launch and its achievement of a full stock market listing.

Obviously, conservative Italian and risk-taking American finance are not the same; nor are Wall Street and the Milan Bourse. But the system has worked well for Olivetti in the U.S.; and Italy's proliferation of small companies, sometimes reaching from a family base towards fields of high technology, in theory would offer a

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Ansaldo: belonging to the IRI-Finmeccanica group, designs and builds complete electrified transport systems and the equipment for them; its systems are in use in the Rome and Milan undergrounds, and in the railway traffic switching yards of many Italian cities.

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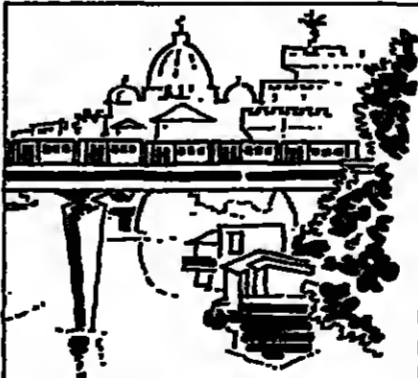
Ercole Marelli: operates in a great many sectors concerning electronics and electrical machinery; it designs and builds power-supply, control, and traffic-automation systems.

IMI: its operations are carried on in industrial share-holdings and in the financing of research and development programs internationally; among other things, it carries on export-financing programs.

Italtar: belonging to the IRI group, takes part in Intermetro through Italedil; the manufacturing activities of this group are tied to the construction of transport systems in the metropolitan transport sector; it also makes traffic studies.

Cogefar: designs and builds railways, motorways, and metropolitan transport systems. Its most important railways at

the international level are in the Cameroons, in Australia, in Italy, in Switzerland, and in Algeria.



Fiat Ferroviaria Savigliano: manufactures stock that is rolling on the rail systems of thirty countries around the world; it is part of the FIAT group.

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ITALIAN ENGINEERING III

Opec spending cuts hitting hard

CONSTRUCTION
JAMES BUXTON

A NATIONAL construction industry is rather like a national football team: it may have won the World Cup last year, but unless it continues to win its past record is of little value. Just as the Italian football team has now fallen on difficult days after winning the World Cup in 1982, so the Italian construction industry is depressed—and finding little comfort in its distinguished past.

The Italian construction industry did very well overseas in the mid-1970s, with the boom in Opec countries and in other parts of the developing world. The peak was reached in 1977, when orders acquired in real terms were at an all-time high. The boom in foreign orders was very valuable since spending on big projects in Italy had dried up.

But in 1982 new orders amounted to only 12,350bn—just under half the 1981 level. They had reached in 1981, an even steeper drop when presented in real terms. This year things are no better.

Basic causes are obvious: decline in the spending programmes of the Opec countries, which have been cutting back sharply on capital spending as a result of the fall in their oil revenues; and the weakening of the economies of many of the non-oil developing countries.

Since virtually all Italian overseas construction work is in developing countries, there has been little to fall back on. The Libyan market, Italy's biggest in the Opec countries, has declined, and companies have had a lot of trouble getting paid. New contracts for Italian companies in Saudi Arabia crashed from nearly 1,400bn worth in 1981 to 125bn in 1982. In Nigeria, new orders in 1982 amounted to only a fifth of those of the year before.

The only possible bright spot is Algeria, where the conclusion, at long last, of an agreement over gas supplies to Italy via the trans-Mediterranean pipeline should open the way to new contracts in construction and plant engineering—though few have yet been firmly agreed.

To a large extent the Italian overseas contractors are suffering problems similar to those of other countries. But ANCE, the Italian construction association, believes Italian firms are being hit more harshly than the contractors of other European countries. ANCE says that both France and West Germany have seen foreign contracting orders decline by 35 to 40 per cent in real terms from 1981 to 1982 against the Italian fall of 60 per cent in real terms.

The Italians claim with even

more concern that South Korean contractors appear actually to have increased their intake of new orders in 1982 compared with 1981, with particular success in Saudi Arabia; while Filipino companies have also done better rather than worse. Here the usual arguments about suspected hidden state subsidies for these companies, with their much lower labour costs, come into play—though the Koreans point out that their overseas contractors order large quantities of Italian construction materials.

Scornful

Because of these unfavourable comparisons Italian contractors are increasingly blaming their Government for not giving the Italian companies the strong diplomatic and political support that other governments, notably France, give theirs. In particular they—and others—were scornful of the Italian Government for giving in to Algerian demands for an uncommercial premium on the price of gas via the Trans-Med pipeline, without getting firm commitments that Italian contractors would get offsetting contracts. ANCE also argues that the export guarantee policy pursued by the agency SACE is sometimes ambiguous, as well as too cautious.

Although export credit is becoming more difficult to obtain, Italian contractors should increasingly benefit from the enormous expansion of the Italian foreign aid programme, which from being very small a few years ago should this year involve the spending of about 12,000bn, some of which should find its way directly to construction contractors. The construction companies argue, however, that this only brings Italy up to the level of countries like France and Britain in terms of aid spending.

The Italian construction companies believe that in the meantime they must become more specialised in particular fields and more capable at handling all aspects of a construction job. Italian companies have a high reputation for building dams and hydro-electric schemes; half the new orders in 1982 were in this sector. Impresit has virtually finished the Bakolori irrigation project in Nigeria (one of its first major ventures as a general contractor) and in a consortium with Lodigiani and Gioia with be sharing the work on the Yagreb hydro-electric project in Argentina with a French concern. Three Italian companies are co-operating with German concerns on the building of a dam at Mosul in Iraq. Unfortunately for the contractors, there is still little sign of construction work reviving in Italy despite some extravagant plans. Actual spending on major construction projects,

		CIVIL CONTRACTS ABROAD (Italian Lira bn)					
AFRICA		Roads and bridges	Railways and underground	Ports and airports	Dams, hydro gas pipeline	Housing and building	Total
1981	1982	754.59	28.94	121.37	93.61	1,998.43	936.94
1982	1983	552.03	84.64	48.55	—	—	—
AMERICAS		248.94	392.56	46.56	1,287.90	471.17	224.49
1981	1982	20.55	76.09	—	194.40	869.41	462.64
1982	1983	—	—	—	—	11.17	107.72
ASIA		142.78	—	—	875.12	420.251	438.17
1981	1982	69.14	—	2.43	778.98	70.55	922.10
1982	1983	—	—	—	—	—	—
EUROPE		—	—	—	42.90	—	43.0
1981	1982	—	—	—	0.84	—	0.84
TOTAL		1,144.29	331.59	167.87	1,296.13	2,968.36	4,888.15
1981	1982	441.72	160.64	53.28	1,147.62	832.89	2,355.15

such as new roads and ports, declined by 2 per cent in 1982 compared with 1981, and planned spending fell by between 5 and 7 per cent in real terms in the 1979-82 period. There has even been a reduction in spending on maintenance of existing infrastructure by such bodies as the Cassa per il Mezzogiorno, the special development fund for the south, as its funds are restricted by the Italian treasury.

In the past year programmes to spend 112,450bn on the railways, 1,800bn on the extension of the autostrada network (with more in the pipeline), have been passed by parliament. But so far only 1,850bn worth of contracts under the first 1,000bn tranche of the railway plan have been put out to tender, and some 1,400bn worth on the autostrada — and it is not clear when contracts will be signed.

House building in the big cities

is still virtually at a standstill, thanks mainly to over-restrictive regulations. But house building outside the main cities proceeds almost untrammelled. But Italy is lucky, by comparison with some industrialised countries, in having a strong and capable plant engineering sector which continues to win reasonable orders in spite of facing the same kind of market conditions as the construction industry. Where it gains over its rivals in other countries is that it is technically highly skilled in certain fields, and can often offer competitive prices. It is also working in fields, notably oil and gas development, which are still thriving.

Satpen, the pipelaying and drilling subsidiary of ENI, the state energy group, saw its sales rise 28 per cent last year. It has a major project in western Saudi Arabia, and won

an A\$200m contract in Australia for a 1500 km gas pipeline. Its sister company Snamprogetti continues to win foreign orders, acquiring a very large (but unquantified) contract for an offshore oil platform off Libya in the last few months. A deal worth more than A\$400m is expected to be concluded shortly for a gas collection scheme in Algeria — the biggest of several contracts which should go to ENI in the wake of the Algerian gas price settlement.

Italmipiant, a state-owned concern which built Italy's big modern steel companies, has won a series of small contracts, some involving know-how transfer, compared with the big contracts it was winning a few years ago. It is still plugging away at building the Kfahran steelworks in Iran, which should eventually produce 3m tonnes of steel a year.



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PROFILE: TEAM ENGINEERING

Personal touch pays off

TEAM Engineering is one of those consultancies active in plant and civil engineering design in which Italy excels. Based in Rome it is by Italian standards medium-sized. Its skilled staff number just 90, compared with the 5,000 employed by an American giant such as Bechtel. And yet this small number, built up personally by the two people whose meeting a decade ago led to the company's formation in 1975, is capable of offering clients a strikingly wide range of services.

These customers tend to be public administrations and governments, most frequently in the developing world. (Team's business is 80 per cent generated abroad) for projects ranging from roads, railways and landscaping to new schools, residential complexes and irrigation projects in Nigeria and beyond. In consulting services for a new engineering faculty building at the University of Ancona on Italy's Adriatic coast.

The choice of Ancona is far from accidental. For a presence at that university, as well as the head of Team Engineering itself is Vittorio Mosco, one of the country's best-known project engineering designers.

Team grew, as have so many such ventures in Italy, at the personal initiative of Prof Mosco and a small group of already qualified specialists, who decided to pool their expertise and set up their own professional group. Today Team has five partners, of whom three are active; its volume of business is a carefully guarded secret, although it would appear substantial if the total size of its principal current venture—the construction of Nigeria's new federal capital of Abuja—is anything to go by.

The role of the design engineering consultancy is a broad one. It ranges from the initial request by a client for feasibility study, followed by a design of the project. Once this is approved, the scheme is put out to tender organised by the client. As soon as the bids from potential contractors are in, these are evaluated

by the experts from Team, on a non-binding basis. Once the contracts are awarded, then the consultants often superintend the progress of work, and play an active part in training as well as start up operations at a company's plant. What is more, Team or another design engineering concern, can offer support on the financial side, such as exploring the possibility of soft loans to help pay for the project.

Improvisation

The workings of a company like Team epitomise some of the shortcomings and strengths of Italy as an advanced industrial power. Effective backing from the Government and Foreign Ministry may be deficient, especially when compared to countries like France, and indeed Team found the going was tough in its early days. But once the flow of business has been assured, the virtues of Italy come to the fore.

"Our human relations are better," says Prof S. Mosco, "and our proposals are both very detailed and very elastic at the same time. Flexibility, and a gift of improvisation, are in sometimes tricky situations also distinguishes an Italian concern like Team from its competitors in the U.S. or elsewhere."

Prof. Mosco's University links are precious too. The day or two he spends on an average each week at Ancona University enable him to keep a close watch on potential recruits for the partnership. The emphasis is on youth: a bright graduate can come in at the age of 25 and, after evaluation during a couple of years training, are thrown in at the deep end.

For the time being, the company is heavily geared towards the Abuja project in Nigeria, where a third of its staff are to be found at any given moment. But the uncertainties of contracting in the Third World today are considerable. Team, like many civil engineering design concerns, is starting to look again towards the domestic market.

Rupert Cornwell

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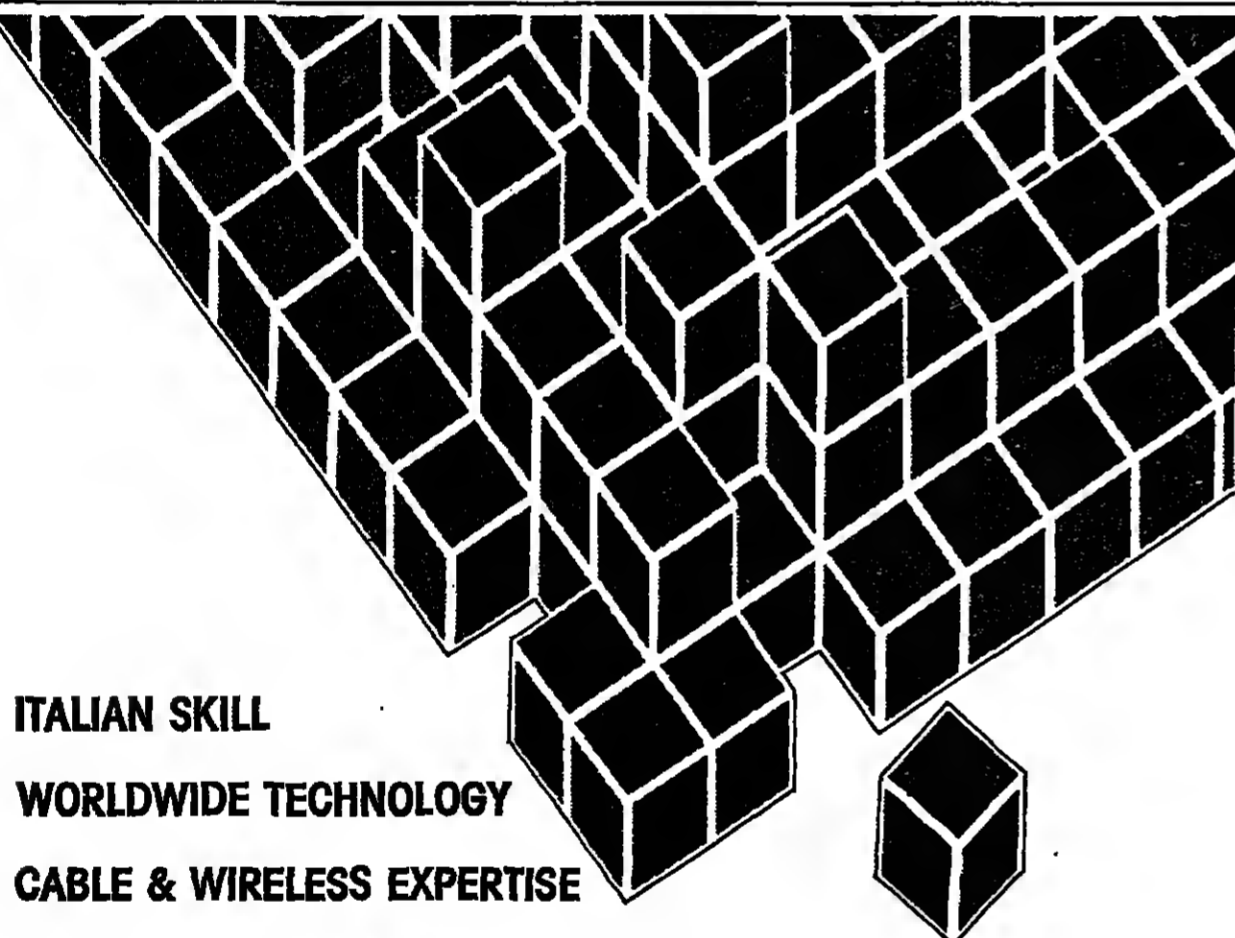
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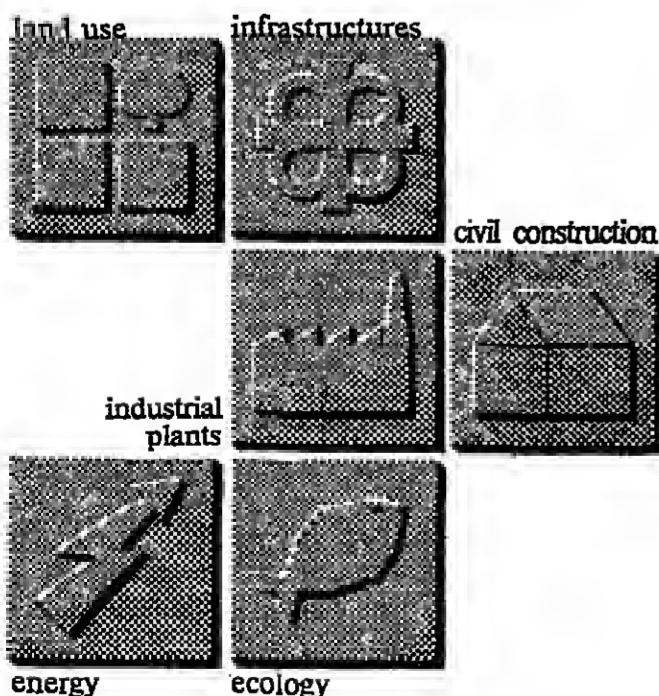
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ITALIAN ENGINEERING IV

Factory automation brings benefits to the sector

MACHINE TOOLS

IAN RODGER

THE ITALIAN machine tool industry has coped better than most of its international competitors during the long and deep worldwide recession in capital plant investment.

It has, for example, overtaken the U.S. to become the third largest exporter of machine tools in the world, after Japan and West Germany, and is the fifth largest producer with a 6.9 per cent world market share.

More important, it is emerging as one of the major contenders in the rapidly new business of factory automation. Italy has five groups of varying size that combine machine tool and electronic control expertise. These are the vital components of flexible manufacturing systems and other types of factory automation systems. Many industrialised countries, including Britain, have no companies that have manufacturing activities in both these areas.

The successful development of the Italian machine tool industry goes back to the late 1960s when the country's consumer goods industries ran particular, were investing heavily in new plant.

Typically, Italian engineering companies are small, with less than 500 employees. They work well with the local machine tool companies, most of which are also small and managed by young engineers who eagerly embraced numerical control technology.

State control of manufacturing industry in Italy is also a significant factor, as state owned companies account for about half of all fixed capital investment in the country.

In the machine tool industry itself, state companies account for perhaps 5 or 6 per cent of total turnover, but two of the five groups aiming at factory

automation markets, Salm and Elmag, are state controlled.

In the past three years, Italian producers have attempted with some success to make up for the weakness of their home market with export sales. But last year, the value of total sales tumbled 12 per cent to L1.540bn in money terms — 20 per cent in real terms — and exports dropped 4.3 per cent in current prices.

Exports now account for 56 per cent of the industry's output, with about a third going to other European Community countries, 15.4 per cent to other west European countries, 12.6 per cent to eastern Europe and 8.1 per cent to North America.

Weaker orders

Mr Bruno Rambaudi, president of UCIMU, the Italian machine tool manufacturers' association, says orders weakened further in the first half of this year, although less for high technology products than for standard products.

The slump is hurting even the strongest companies in the Italian machine tool industry.

Mr Giuseppe Henne, marketing manager for Europe of Olivetti Controlli Numerici, acknowledges that the business, with annual sales of about L100bn, is in loss.

OCN is the leading Italian producer of machining centres, but is strong only in the home market. It also makes assembly robot and numerical controllers. To further its capabilities as a full line supplier of factory automation equipment in European markets, Olivetti in 1981 acquired Esercizio Pietro Pontiggia, the leading Italian producer of CNC lathes, and early this year it formed a joint venture with Allen-Bradley of the U.S. called OSAI to manufacture and market A-B's well known CNC controllers in Europe.

Mandelli, another major machining centre manufacturer, managed to stay in the black last year, but its net profit was down 63 per cent to L140m on

ITALIAN MACHINE TOOL EXPORTS

(by major countries—1983)

Destination countries	Value (Lire m)	Change per cent 1982/81	Weight ('000 kg)	Change per cent 1982/81	Value (Lire m)
France	128,985	- 8.7	8,358	- 8.0	12,960
USSR	87,131	+ 75.9	4,506	+ 21.7	20,260
W. Germany	82,181	- 22.1	6,714	- 27.6	12,280
U.S.A.	57,578	+ 5.6	4,538	- 23.6	12,000
UK	44,426	+ 25.7	3,090	- 5.5	14,430
Switzerland	27,512	- 14.1	2,543	- 35.5	10,820
Spain	26,606	+ 17.8	1,730	- 52.0	10,300
South Africa	26,077	- 41.3	2,558	- 28.5	7,250
Iraq	19,528	+120.0	1,512	+116.2	13,180
Sweden	18,910	+ 22.3	1,443	+ 19.0	13,110

Source: UCIMU elaboration on ISTAT data.

sales that were little changed at L340m. Mandelli, which also designs and manufactures its own numerical controllers, is well known in international markets, and exports about half its output. The only major market it has failed to penetrate is Japan, and last year, it arranged with Amada of Japan to manufacture two of its machining centres under licence.

"We see it as our Trojan horse," Mr Giancarlo Mandelli, group president, says. Mr Mandelli says that factory automation systems business has been larger than ordinary machine sales for the company since 1981. It is building systems for, among others, Ferrari and IBM in Italy, Caterpillar Tractor, Alstom Atlantique and Societe Nationale des Industries Aero-spatiales in France and Volvo in Sweden.

The company that appears to be the strongest Italian contender in the factory automation business is the Comau subsidiary of Fiat. Already established as one of the leading world suppliers of transfer lines for the automobile industry with 1982 turnover of L422bn, the company has deliberately attempted to diversify its customer base in the past few years, and to develop its expertise in flexible systems. Today, about 75 per cent of its business is outside the automobile sector, compared with 20 per cent five years ago.

Among its recent important orders are a \$7m FMS project

to make compressor parts for Borg-Warner of the U.S. \$20m order from the Soviet Union for a system to machine combine harvester parts and a \$20m order from Turkey to machine tractor engine parts. Mr Francesco Giaccia, commercial director, says the company now has enough orders to keep it busy until the end of next year.

Order book

Fiat itself now accounts for about 60 per cent of Comau's order book, because the group's motor division is in the midst of a major investment programme. Internal business has been as low as 7 per cent in the past and Comau would like it to be about half its total order book.

Although it already counts the major U.S. automobile companies among its major customers, Comau wants to increase its business in the U.S., so last spring it negotiated a joint venture with Bendix, a U.S. competitor in the transfer line business.

Bendix, for its part, was seeking a European partner with expertise in flexible factory systems. Under the deal, Bendix has taken a 50 per cent equity stake in Comau for an estimated \$30m and Comau gets a 10 per cent stake in a joint U.S. marketing company called Bendix / Comau Production Systems.

Mr Giaccia estimates that about 40 per cent of the orders won by the new company will be filled by Comau.

Jobs shadow hangs over rescue plan

CONSUMER ELECTRONICS

RUPERT CORNWELL

WILL JUNE 8 1983 go down as the day that Italy's struggling consumer electronics industry at last turned the corner? Or will it be remembered merely as another date on the route to its inevitable demise? That is the essential, unanswered question which remains after the approval that day of a L360bn (\$240m) plan aimed at re-organising and financially strengthening the small and unordered army of little companies active in the sector.

Possibly the scheme will prove to be too little, too late, to make good the backwardness and shortcomings of the industry in Italy, compared to its competitors abroad. The plan which was finally endorsed by CIP, the inter-ministerial policy committee headed by Sig Filippo Maria Pandolfi, Industry Minister in the previous Government, is the fruit of discussions which originated as long ago as 1978. Many more would argue that even L360bn is insufficient, given the scale of the problems.

On the other hand, the plan has been drawn up with a thoroughness which augurs well for an eventual success, that would contrast with most other government-inspired efforts to overhaul industrial sectors in difficulty. What is more, it has skilfully exploited the common plight of the companies involved to secure an unusual degree of consensus over its aims and acceptance that alliances with leading non-Italian manufacturers are probably essential.

The kernel of the scheme is a new state-controlled financial company called Rel, short for Ristrutturazione Elettronica, jointly owned by the Industry Ministry and IRI, the publicly-owned industrial holding company. Its future activities may be divided into four categories, two of which are certain to be implemented and two which have yet to be finalised. All are designed to correct a situation in which foreign suppliers have captured over half of the

domestic consumer electronics market, for products like colour TV, radio and video recorders, where Italy suffers from a chronic trade deficit, reaching L87bn (\$585m) in 1982 alone.

The first tranche, worth about L70bn, of the L360bn available will go to strengthen up to 20 small companies manufacturing either finished electronics products or components. The idea is for Rel to commit new financial resources to each of these companies via capital increases, which will see Rel acquiring minority stakes of up to 49 per cent in their equity. It is envisaged that the state's participation will not extend beyond five years, after which it will be bought back by the company concerned—by then, it is hoped, restored to health.

More important, however, is the involvement of Rel in attempts to breathe new life into the Italian colour TV industry, alongside two of the biggest, and long most troubled, Italian electronics producers, Indesit and Zanussi.

Committed

The story of colour TV in Italy is a wretched one, traceable to the great delay of the Rome authorities in deciding which system to adopt. It was not until 1976 that the first transmissions, using the German Pal system, were broadcast; by then foreign manufacturers were placed to capture the biggest share of the market.

The L360bn which Zanussi has unavailingly committed to its three subsidiaries in the field (Zanussi Elettronica, Ducati Elettrotecnica, and Inelco) over the past five years are at the root of the severe difficulties Zanussi now faces.

By 1982 its share of the domestic colour TV market had risen to 12 per cent—and its declared losses to an unprecedented L130bn (\$86m). Clearly, state intervention was needed if the entire future of the group, employing 22,000 people, was not to be jeopardised.

As Zanussi was pondering the means of a substantial injection of fresh capital, to reduce bank indebtedness which had reached L800bn by the end of 1982, the Government pushed through on June 8 its colour TV proposals. Their heart is a new financial group, capitalised at L60bn, in which Rel will have the largest single shareholding of 45.8 per cent—followed by Zanussi with

CONTINUED ON NEXT PAGE

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The more suitable type of approach to improve this situation appears to be an integrated development programme, in other words sectorial measures must be designed and co-ordinated so as to involve all the various components: irrigation, improvement of livestock raising techniques and rational range management; extension of improved agricultural practices; organisation of marketing facilities and services; installation of agro-industries to process agricultural and animal products; agricultural co-operation and social infrastructures and services, etc.

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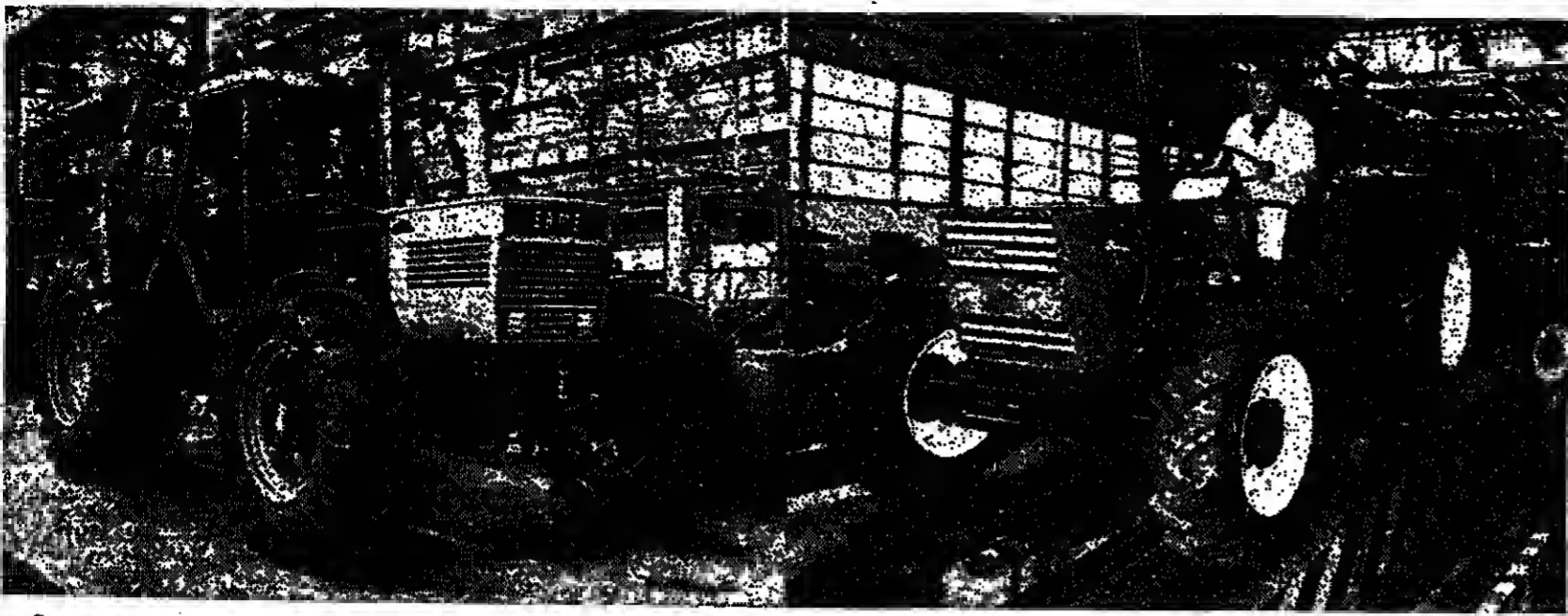
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ITALIAN ENGINEERING V



Same and Fiat tractors coming off the production line. Fiat has a 14.2 per cent share of the Western European tractor market; Same has 7.5 per cent

Top of the tractor league

AGRICULTURAL EQUIPMENT

IAN RODGER

ITALY IS famous for lots of things: song, love, pasta and fast cars among them. It also produces more tractors for sale in Western Europe than any other country.

Fiat Trattori is the European market leader, with a 14.2 per cent share, having overtaken both Massey Ferguson and International Harvester in the late 1970s.

Same, the other Italian group, has, together with its Lamborghini subsidiary, another 7.5 per cent.

The Italians start with very strong positions in their home market, Fiat with 38.4 per cent and Same-Lamborghini with 22 per cent.

Of the nearly 30,000 tractors Fiat sold in Europe last year, 19,000 were sold in Italy and of the 21,000 sold by Same and Lamborghini in Europe, 10,300 were sold in Italy.

Still, Fiat has made significant progress in a number of

markets, notably France, Belgium, Denmark, Spain, Greece and Ireland, and claims a 9 per cent market share in Europe, excluding Italy. Same's main export markets are France and West Germany.

Ask the Italians why they have succeeded, and the answers are not surprising. "We have a new product line, good service and we produce efficiently without big overheads in a single factory," says Vittorio Di Iorio, sales director of Fiatagri, the newly formed Fiat subsidiary that combines its agricultural equipment activities.

Same attributes its success in large part to a deliberate decision in the late 1970s to concentrate on large, four-wheel drive tractors, which now account for over 50 per cent of sales.

"The market was moving that way and we anticipated it," Mr. Rene Micheletti, planning and marketing director, says.

Same is also one of only two major tractor manufacturers that make air-cooled engines, the other being Deutz of West Germany.

Fiat is also a major supplier of tractors in many markets outside Europe, with 46 per

cent of its production going to other continents.

As a result, however, of financial instability and operating restraints in many third world markets, the group is increasingly inclined to concentrate its efforts in what it calls "free markets." "When you are in a free market, you sell your best product at your best price," Mr. Di Iorio says.

Mistakes

"But when you start to fiddle (by agreeing with a country, for example, to install a different engine because it is made in that country), then you have problems and you start making mistakes. And if the local market collapses, you can't sell your product elsewhere."

The market Fiat is trying to develop now is the U.S., where it had been represented only indirectly until three years ago. Sales are building up slowly—the group expects to sell 1,500 tractors in the U.S. this year. "This is our adventure. It is not vital, but everyone is satisfied and we are doing a good job."

Fiat plans to continue building its European market share, but is not interested in buying other companies. "It would be

too costly to close their factories."

Mr. Di Iorio complains about government subsidies and exceptional bank credit terms given some of its competitors, but is philosophical about it. "Maybe, if we were in trouble, we would play the same tricks."

Fiat Trattori is operating at a "satisfactory" rate; its increase in market share having enabled it to maintain production. "We have not lost money since 1974 and have been able to invest \$70m in the past three years on improvements to our transmissions and cabs."

The Same group (Same is an acronym for the Italian words for an engine company) consists of three tractor manufacturers, Same, Lamborghini and Hurlimann of Switzerland.

Until two years ago, the three companies ran independently, developing their own products and operating their own manufacturing and marketing organisations.

Since then, the group has been developing a new product line for the three companies, the Same models of which were introduced this year.

Same suffered with the 11 per cent decline of the Italian market last year, but improved its market share fractionally.

Production had to be slowed late in the year to reduce stocks, but total group output was fairly satisfactory at nearly 17,000 Same tractors, 7,000 Lamborghini tractors and nearly 1,000 Hurlimann tractors.

Group turnover was up 5.7 per cent to L488.5bn. Same's own overseas turnover was up nearly a quarter to L183.8bn because of its improving position in European markets and favourable currency movements. Less than 10 per cent of its sales came from outside Europe.

Optimistic

Mr. Micheletti said he hoped this would be the last year of recession in the Italian market, and he was optimistic that both Same and Lamborghini would remain profitable.

Same's strategy is similar to that of Fiat in that it favours concentration on European markets. The group made a big effort a couple of years ago to try and establish itself in China, but has virtually given up. "So far, we have spent a lot of money in China," Mr. Micheletti says wryly.

Nor does the group intend to diversify, except into the "house" diesel engine market. Same tried making commercial vehicles in the early 1970s but soon abandoned it.

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BALANCE SHEET FOR 1982

in US million dollars

CAPITAL	24.0
RESERVES	15.8
NET PROFIT	5.6
TOTAL BILLING	612.2
WORK LOAD	1747.4

MAJOR ORDERS RECEIVED AND PLANTS UNDER CONSTRUCTION IN THE YEAR 1982

ABROAD

Maxi-desalination plant for Umm-Al-Nar (Abu Dhabi).
Iron and Steel Plant in Isfahan (Iran).
Iron and Steel Plant in Tubarão (Brazil).
Electronuclear powerplant in Cordoba (Argentina).
Restructuring and extending the Sobal steelworks (Portugal).
Industrial-port complex of Sapetiba (Brazil).
Desalination plant in Rabigh (Saudi Arabia), and Sitra (State of Bahrain).
Ship-loading system for the port of São Luís (Brazil).
Iron foundry in Malta.
Reheating and heat treatment furnaces in Brazil, Luxembourg, West Germany, Sweden, Holland, Soviet Union, East Germany, France, Canada, Saudi Arabia and United States.
Coal shipping terminal in Port Kembla (Australia).
Coal stacking-reclaiming machines for the steelworks in Port Kembla (Australia).
Expansion of the water pipe works of Luanda (Angola).
Plant for processing foodstuffs at Vladic Han (Jugoslavia).

IN ITALY

Reorganization and modernization of Nuova Italsider Iron and Steel Plant in Bagnoli.
Reorganization and modernization of Nuova Italsider Iron and Steel Plant in Taranto.
Reheating and heat treatment furnaces for Nuova Italsider, Breda, Nuova Sias, Acciaierie di Piombino, Acciaierie Lucchini and Sisma.
Pilot project for harbours in Liguria and planning for territorial infrastructures.
Grinding mills for Cementeria Sebina di Bergamo and Cementi Adriatica di Pescara.
Coal terminal for the thermoelectric powerplant in Brindisi.
Reconversion to coal of the Cementi Klins in Taranto.
Environmental protection plants for Nuova Italsider, Nuova Sias, Acciaierie di Piombino, Acciaierie Lucchini and against pollution in the Gulf of Naples, for industrial and urban wastes at S. Eufemia Lamezia with the production of compost for agricultural use.
Wharf for colliers in Milazzo.

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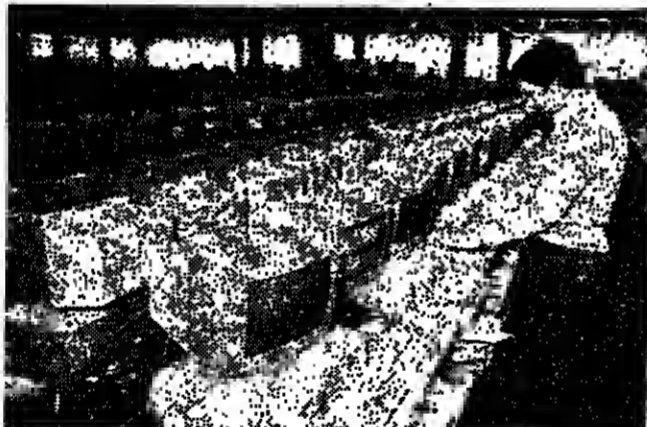
For many years OFFICINE MINNETTI have constructed and sold completely automated plants using robots to handle yarns in hank form, to extract the water, load and unload the dryer and then to pack the yarn. The experience gained from the unique technology developed in this field, has now grown into the construction of new package handling plants. This system handles the loading and unloading of the material carriers of dyeing equipment, rapid dryers, hydroextractors, RF dryers or others. A process computer controls the different robots which carry out the sequence of tasks, so that only one person is required to supervise, 800 packages of any shape or size can be handled per hour. The material carriers can be of different types, the computer recognises them and instantly adapts the movements of the robots. During the process the packages are accelerated, the packages with spring centres are compressed and the spindles are locked with screw caps or other locking devices. Spacers, if used, are placed between each package during the loading process and removed during the unloading. The electric, electronic and pneumatic parts of the plant are made up of standard components which are universally available. The computer programme can be changed to meet the requirements of each individual user. The plant will be on show at the ITMA exhibition in Milan (10/19th October - hall No. 7, stand 03/05).

The interest aroused by this simple new system which completely automates the whole process, is enormous. Previously only parts had been automated. The plant which will be on show at the ITMA exhibition has already been sold on paper and can be seen in operation at the Officine Minnetti factory at the end of July. Further information can be obtained from:

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The making of data processing equipment in Italy is concentrated heavily in the hands of Olivetti. Above, work being carried out on M20 computers at the Olivetti plant in Scarmagno

Rescue plan

CONTINUED FROM PREVIOUS PAGE

43.4 per cent, and Indesit with 10.8 per cent.

The venture will have a maximum on-stream capacity of 700,000 colour sets a year, as well as 100,000 black-and-white TVs and other video equipment to be produced at a factory at Caserta, near Naples. By pooling the resources of the three partners, the project is intended to reap the advantages of economies of scale impossible to each of them on its own. In addition, the Rel-Zanussi-Indesit alliance may be expanded abroad—and thus become a player in the intricate complex of negotiations under way at a European level to reshape the industry.

Philips of Holland, which in early May announced a vaguely-worded collaboration agreement with Zanussi, may become the venture's fourth member; nor is it to be ruled out that Thomson-brand of France, with which the Rome authorities have already had contacts, participates as well.

Rel is also weighing the prospects of intervening in two other related fields. It is considering whether to join forces with Autovox (and use technology from Philips) to promote Italy's manufacture of car radios. The most probable scheme foresees the creation of an operating company by Rel and Autovox which would produce 700,000 units annually. An analogous project is taking shape in the videorecorders field, involving Rel and the Italian Voxson electronics concern—this time with IRI as the foreign partner.

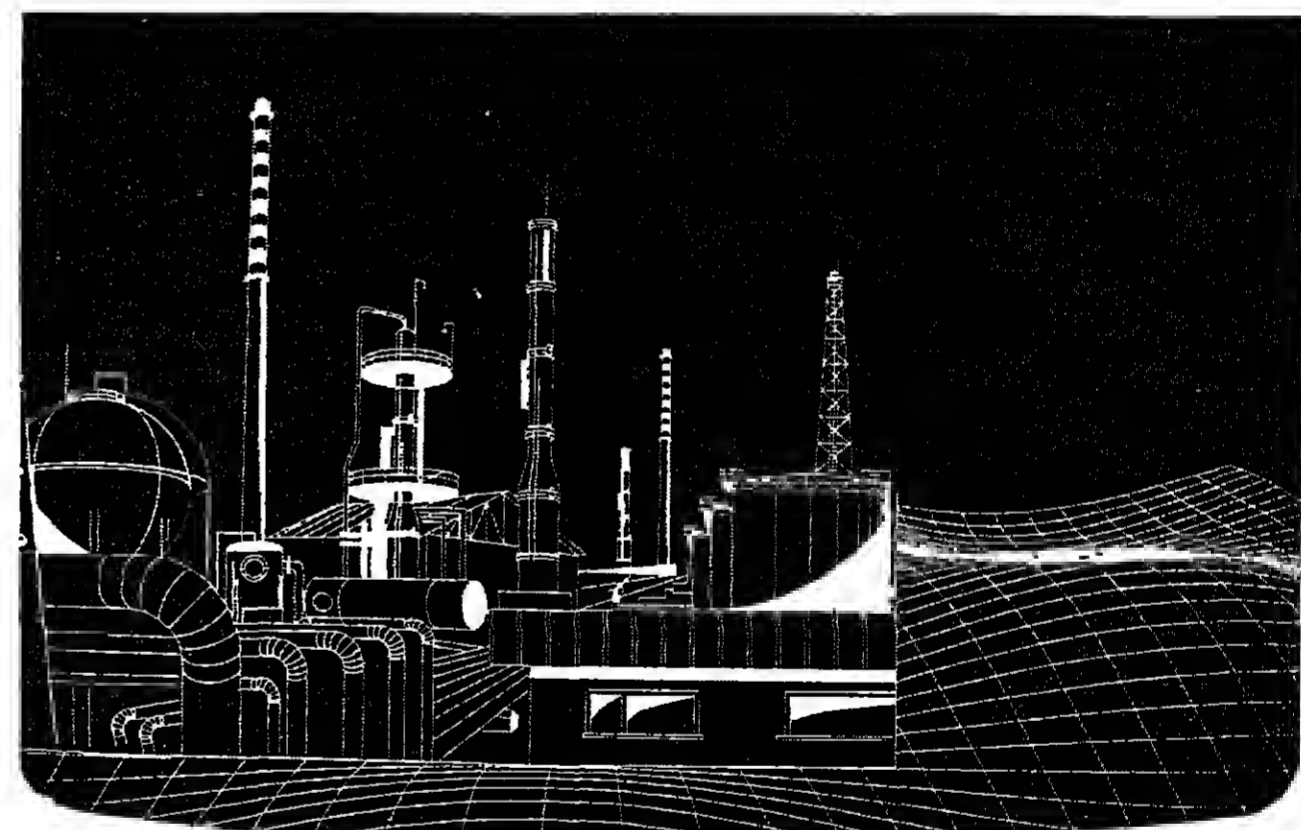
There is no doubt that developments along the above lines are vital if Italy is to remain a force in the fast-growing, and indubitably promising, consumer electronics field. Unfortunately, as the unions and Government are only too well aware, a considerable price in terms of jobs will have to be paid.

The pooling by Zanussi and Indesit of their colour TV divisions under the aegis of Rel is expected on its own to entail the trimming of 1,000 men from their present combined workforce. According to Sig Maria Colombo of the Cisl union, fewer than half of the 18,000 men presently employed in the consumer electronics industry are actually working. He fears that if the rationalisation plan goes through, 7,000 to 8,000 men might lose their jobs.

Nor does that figure include the possible cutbacks at Zanussi itself if its own recovery plan goes through. The company has long insisted that at least 3,000 jobs must be shed if Zanussi is to be restored to full health—as a study by McKinsey, the U.S. management consultants, concludes it can be—by 1985. By that date, the household appliances division, for which Zanussi is best known, would be generating a cash flow of L200bn a year, compared with just L80bn today, and the group's debt/turnover ratio be sharply reduced.

Major decisions for the future of Zanussi were taken at a meeting of shareholders on June 29. Sig Lamberto Mazza, chairman and chief executive for the last difficult years, stepped down to be replaced by Sig Umberto Crippa, a manager with a long experience at Fiat behind him. This change may well be followed this autumn by a modification of Zanussi's shareholding structure.

Hitherto 80 per cent of the company's capital has been controlled, directly or indirectly, by the Zanussi family. But that proportion is likely to be reduced, although the family is insistent on retaining at least 51 per cent control. Now it seems as if members of the "consortium" of private companies, including Fiat, may take part on a long overdue recapitalisation plan.



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engineers that became known as the "Italian school". It would take a long time to list all the areas where CTIP operates (providing services that can start from the initial pre-feasibility study and may then range right up to the delivery of complete grassroot plants on a turnkey basis), but the most important include: oil, petrochemicals, pharmaceuticals, natural gas, power generation, water treating, environmental protection and financing engineering, for a total of 350 major projects carried out in 60 countries. An organization of skilled technicians that can handle every technological aspect of international industry in the light of the structural, economic and financing requirements of our time. CTIP: A fifty year old story that is renewed each day.

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ITALIAN ENGINEERING VI

Thriving on the Nato connection

DEFENCE ELECTRONICS
JAMES SUTTON

ROME is not an industrial city and Italy, despite Olivetti, does not have a reputation for being in the forefront of the electronics industry. Yet out on the Via Tiburtina, which leads from Rome to Tivoli and beyond, are based some of Europe's most advanced companies in a major sector of electronics—defence.

The three main companies are Selenia (though about half its sales are on the civil side), Elettronica and Contraves. Between them they produce an impressive range of offensive and defensive weapons systems and the apparatus to control them, as well as some Europe's most sophisticated electronic warfare equipment.

All three are highly export-orientated, selling about three-quarters of their output abroad, and all three have had very fast real growth in the past few years. This is due to the world boom in defence sales in general and to the success of the Italian defence industry in particular, which is now reckoned to be the fourth biggest exporter in the world, after the two superpowers and France but ahead of Britain.

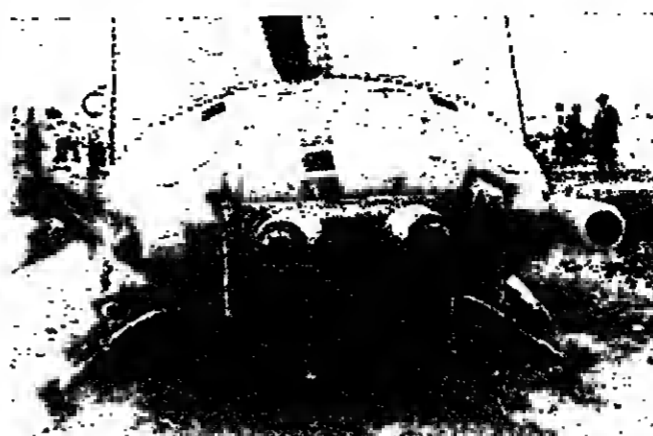
Demanding

By any yardstick the Italian defence industry has, since 1976, vastly outperformed any other sector of the Italian engineering industry.

The Italian arms industry thrives on a unique combination of factors. As members of Nato the Italian armed forces need reasonably sophisticated equipment but are neither so wealthy nor demanding that they can impose their will on defence suppliers and insist on products that are too expensive or sophisticated to sell elsewhere—as often happens in Britain, for example.

This means that Italian military products are likely to be highly commercial. Export controls for many defence items are not always very exacting, though there are strict limits on sales of electronic equipment.

Italian defence sales are renowned for their technical competence, persuasiveness and flexibility. The defence electronics industry benefits greatly from being part of a strong national defence industry.



The antenna on this Augusta-Bell AB212 helicopter enables the aircraft to discover if it is being detected by an enemy radar, and where and what type the radar is. The system's maker Elettronica, concentrates almost wholly on electronic warfare equipment.

The leading company in the electronics field is Selenia. A few months ago it became the head of a group of state-controlled systems electronics companies called Raggruppamento Selenia Elag, which has a strong bias towards defence. It is also involved in other fields in systems electronics. The while group, which comes under IRI through its subsidiary Stet, employs 9,500 people and in 1982 had sales of about L450bn.

Selenia itself, which accounts for nearly L400bn of that sales figure, is roughly divided between military and civil production. It is one of Europe's leading companies in the field of air traffic control and claims to have a quarter of that part of the world air traffic market which it defines "accessible". It has installed 180 air traffic control systems in 29 countries, including the Soviet Union (11 radar systems in the Moscow area, installed in collaboration with Saab of Sweden).

As an indication of Selenia's strength in the radar field, it recently sold a licence for one of its radar systems to Sperry of the U.S. The fact that Italy itself is only now getting an air traffic control system covering the entire country built by Selenia is cited as an example of how little backing the Government gives the company. In the defence field Selenia makes the Aspidite multi-role missile which has been sold to 13 countries. The missile is used in air defence systems including the Albatross naval system (mounted on the successful Lupo and Maestrale frigates which are built and equipped by a consortium of Italian arms makers and shipbuilders). Selenia has also developed the Spada ground-to-air defence system using Aspidite and has sold it to the Italian Air Force for use in airfield defence. It also makes military radar and electronic warfare equipment.

Heavy investment

For many years Selenia consistently made losses which the company attributes to the fact that it had to make such heavy investment in research and development but which its private sector competitors less charitably blame on the fact that it is a state-owned company. But in 1982 it made a modest profit of L1.5bn; last year this went up to L3.7bn. The company reckons it is now reaping the fruit of past investment.

Another company in the Selenia Elag group is Elettronica. San Giorgio Elag based in Genoa, which in the defence field makes naval systems and factory automation equipment. It recently brought DEA (Digital Equipment Automation) a small but fast growing Turin-based electronics company which was nearly bought by an American company.

A few hundred yards up this road from Selenia is Elettronica, one of the most remarkable electronics companies in Italy. It concentrates almost 100 per cent on electronic warfare equipment and is privately owned. It is the creation of one man, Sig. Filippo Frattolochi, who founded it in 1951 initially to make transformers for the railways. In 1955-56 it converted to electronic warfare equipment, then a field almost entirely unknown in Europe and certainly in Italy.

Electronic warfare falls broadly into two parts: electronic support measures (ESM) and electronic counter-measures (ECM). ESM involves such things as equipment to tell a ship, aircraft or army formation if it is being detected by an enemy radar, and where and what type the enemy radar is. ESM equipment can be used to build up a picture of the enemy's order of battle via his radio and other emissions. ECM goes a stage further and involves the jamming of threatening transmissions and the retransmission of radar signals altered so that an enemy may fire his missiles at the wrong target.

The company has designed equipment used for aircraft components with a high degree of commonality between the naval and air force equipment, to simplify logistic support and maintenance, and also make all its critical components itself so as to be independent of outside suppliers and able to adapt its components to the use for which they are required.

Elettronica says it has never produced under licence from other manufacturers and says it built up its electronic warfare know-how with the help of men who had originally designed the radars they were now trying to

behind poppy fields and closed circuit TV cameras in an intimidating gold grass-fronted building within which staff members move quietly about with their identity badges clipped to their lapels. Contraves is a wholly-owned subsidiary of the Swiss company Oerlikon.

which set up in Italy in the 1950s mainly because of its access to the Nato market and comparatively low labour costs.

Its mixture of national production bases and the fact that many weapons projects are any way joint ventures between different companies and countries gives Contraves a chameleon-like ability to make itself politically acceptable to almost any customer. It now has responsibility for Italy, the Middle East and Africa, while the parent company in Switzerland handles the Nato market.

After a history of developing what it says was the first sea-skimming missile (Seakiller) it specialised on fire control systems and radar. Its current pride is Seaguard, one of only a tiny handful of what are called close-in defence systems for ships: the last defence for a warship against aircraft and especially sea-skimming missiles like Exocet. Seaguard consists of a search radar, a tracking radar, a very rapid-fire gun and, if necessary, the anti-aircraft missile Aspidite (made by Selenia).

When a ship is being approached by a missile the system should activate itself automatically and shoot down the missile using its four-barrelled gun, which is capable of firing more than 3,000 rounds per minute.

High hopes

Contraves says that the tracking radar and the fire control system—the heart of Seaguard—were designed and are made in Rome, while the UK company Plessey designed the search radar and Oerlikon is responsible for the gun. The interesting thing about Seaguard is that it is a private sector venture. Oerlikon decided to invest in it and has so far spent about \$100m.

So far, however, saving been unveiled at the Genoa naval weapons show in 1983 only one navy—the Turkish—is thought to have bought Seaguard, but Contraves has high hopes of selling to Britain's Royal Navy, after which other orders could easily follow. So Seaguard is not yet in series production and Contraves is waiting to cash in on its investment.

Contraves recorded sales of about L115bn in 1981, of which about 80 per cent is exported. It employs about 1,100 people and does not talk about its profits.

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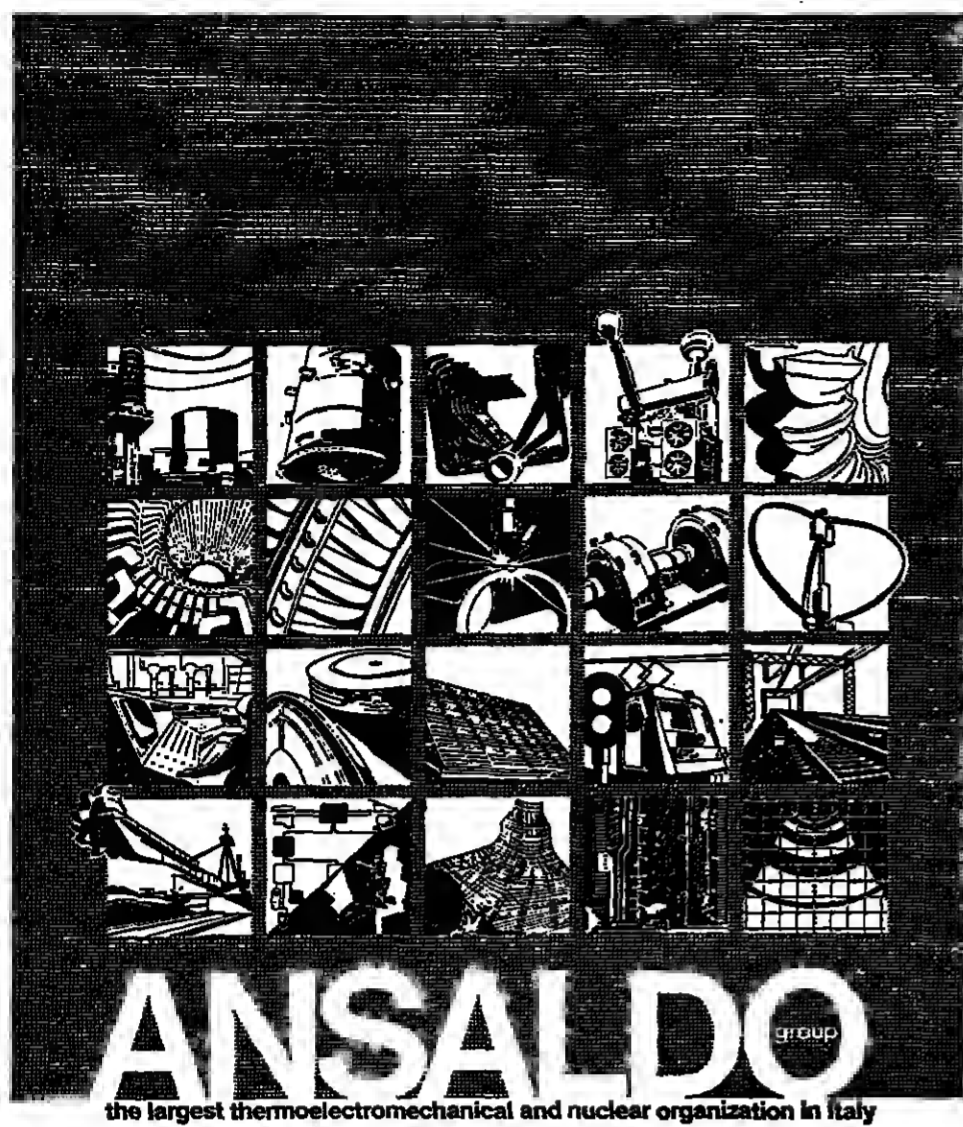
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PRINCIPAL PROJECTS AND WORKS COMPLETED OR IN PROGRESS

Milan: —Plan of transport
—Underground railway network operating 36 km — 49 stations
under construction 16.6 km — 20 stations
planned 5 km — 5 stations
—Urban restructuring of the Garibaldi district
—Interchange junctions and corresponding parking areas
Lombardy: —"Ferrovie Nord-Milano" railway network modernisation 217 km — 68 stations
—Urban railway connections between Bovisio (F.N.M. railway station) and Porta Garibaldi and Porta Vittoria (State railway stations) 20,500 km — 9 stations
Naples: —Underground railway line, line No. 1 11,400 km — 16 stations
—Alifana railway line modernisation 23 km — 13 stations
Turin: —Light rail transit line No. 1 14,210 km — 25 stations
Rome: —Lazio railway network modernisation Rome-Viterbo Line Rome-Fregene Line
Bologna: —Feasibility study of light rail transit network



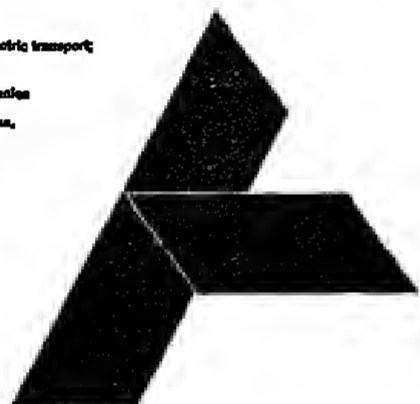
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ANSALDO ELETTRONICA - ANSALDO TRASPORTI - ANSALDO MOTORI
ANSALDO - SABBIA - SUPREMA - TERNI - TERNI
CASA - CISA

Main Office - Genoa, Italy

saving national financial resources
Roncaglia OPR flour milling plant

manufactured in Modena Italy

MILLING HAS made great advances in the last thirty years in the area of increased productivity.

Systems have come and gone, changed and been remodelled. But all the systems have been remodelled on the same basis and principle, that is the traditional system.

However, the House of Roncaglia have broken away from this tradition and have advanced milling technology by the use of pneumatics for sieving. This technological advancement has enabled the House of Roncaglia to perfect a milling system the net result of which is the magical, modular RONCAGLIA OPR Flour Mill.

Using air in the sieving system whereby the product to be sieved is air-lifted and passed through durable nylon mesh has completely eliminated the use of elevators and traditional plan-sifters.

As a direct result of this marvellous invention the size of the mill building has been reduced from the 6 storey building necessary for the traditional mills to a single block only 5 metres high. This on its own has reduced building capital requirement in monetary value by at least 70 per cent, unlike in the traditional system where the bigger the capacity, the higher the building.

The RONCAGLIA OPR needs only a single block 5 metres high, regardless of the capacity, be it 10 or 1,000 tons.

By virtue of the fact that only a block is required to house the plant, the RONCAGLIA OPR Flour Mill can be sited anywhere regardless of the prevalent or geological and seismic conditions. Such is the versatility of the RONCAGLIA OPR that it can be sited anywhere, where it will give the miller optimum convenience and hence drastic savings in bringing in of raw materials (such as wheat, maize, oat, barley, rice, rye, sorghum, millet, etc) and bringing out of finished products.

As a result of the entire plant being sited in one floor, it is possible to operate and run the RONCAGLIA OPR efficiently with a minimum labour force. This has afforded the miller considerable savings in labour overheads.

Hygiene

The pneumatic technique of the RONCAGLIA OPR assures a very hygienic product that is second to none.

As over 97 per cent of the moving and lifting process is conducted by the air currents the possibility of flour contamination with residual worms, insects and cobwebs is non-existent.

The flour quality of the RONCAGLIA OPR has been acclaimed as among the very best.

The flour proteins do not suffer from any damage as the heat produced in the grinding process is constantly cooled by the ever present air currents. It therefore goes without saying that the ash content in the flour is very low and the product vastly improved from the homogeneity and quality point of view.

Manufacture

The RONCAGLIA OPR Mill is manufactured from the finest quality material. It consists entirely of precast blocks. The high quality steel used in the manufacture of the RONCAGLIA OPR is machined to precision automatically in RONCAGLIA'S

fully-equipped factories.

Every single part put out is subjected to a very strict quality control before making part of a RONCAGLIA OPR MILL SYSTEM internationally patented.

No wonder the House of Roncaglia gives a 10 years' guarantee as compared to 6 to 12 months by its traditional competitors.

The modular RONCAGLIA OPR has for the first time in milling history made possible re-location and re-siting of the plant from one location to another, without losing even a single bolt.

Each mill is manufactured first taking into account the customer's requirements. Customer's exact requirement is the starting point for beginning the design of the plant. A systematic analysis of customer's requirement together with RONCAGLIA's extensive knowledge and resources in pneumatic milling enable the House of Roncaglia to supply a uniquely modern and dependable plant.

Process know-how coupled with Roncaglia's milling experience and manufacturing capability as well as Roncaglia's installation expertise form the basis of Roncaglia Service to Roncaglia clients.

Only a versatile modular RONCAGLIA OPR can ensure complete satisfaction in customer's mind.

No matter what the capacity, from 10 tons up to an infinite capacity, the House of Roncaglia is able to supply modular OPR Plants in which height never exceeds 5 metres. For flour production the width is only 2.5 metres and when production of semolina, grits etc, is required, the width is 4 metres.

The modular RONCAGLIA OPR plant can be designed to be installed as a series, each line independent from the other. This enables continued production when some machines are undergoing maintenance.

The erection time of the modular RONCAGLIA OPR is only 10 to 30 days as compared to 6 to 9 months in the traditional system. Reduction of installation downtime results in increased profit.

Supplied with the plant are instruction booklets, a spare part catalogue, technical operational advice and service manuals. Technical training is also given to client's personnel both in Italy and abroad. So the RONCAGLIA OPR is supplied on a turn key basis.

As buyers' complete satisfaction is Roncaglia's utmost concern, Roncaglia commitment does not end with the supply of the plant.

The House of Roncaglia guarantees the best after-sale service both technical and spare parts wise.

Roncaglia's large clientele who span the world over, from Europe to America, from Asia to Africa and from Central America to Oceania is testimony of its successful advanced technology.

The House of Roncaglia is able to supply plants and prepare full layout plans for the complete satisfaction of its clients at very short notice. This fast service enables governments and their associated departments to fulfil their agroindustry commitments without any further delay.

If you wish to know more about Roncaglia OPR technology send in the coupon

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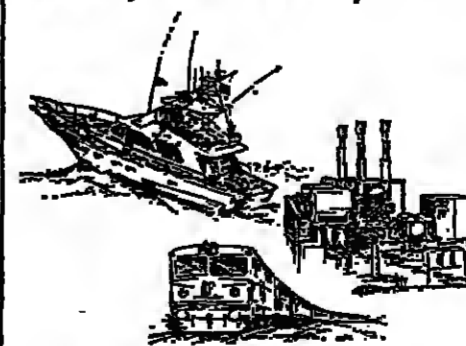
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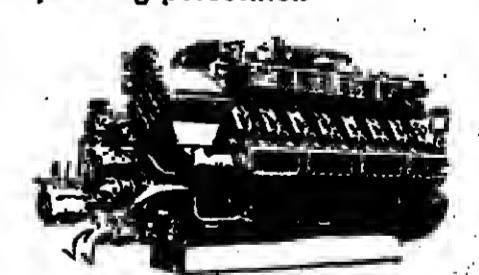
ISOTTA FRASCHINI produces Diesel engines, in the power range from 350 to 4,500 HP, for industrial applications (generating sets and pumps), marine applications (Marine propulsion for fast vessels and auxiliary groups), and railway applications (Diesel electric and Diesel hydraulic traction).



One of the fields in which ISOTTA FRASCHINI devotes great effort is that of "electrical engineering". Because of this, ISOTTA FRASCHINI is able to plan and to install turn key power stations, supplying to clients the most suitable technical solutions to their specific requirements.

Furthermore ISOTTA FRASCHINI is able to supply a complete range of engineering services, starting from an initial feasibility study up to the plant start up, including me-

chanical drawings (designs), maintenance and training of the client's operating personnel.



One of the most significant recent installations realized in Italy, called the "Capo Sele Plant" (south Italy), is a 12,800 KW power station, where 16 generating sets supply energy to four motor-driven powering 2,200 KW each, integrated with Diesel pump sets, each of them power 1000 KW.

As far as the export side is concerned, a contract has just been finalized in Peru for the supply of 28 generating sets, power 500 KW each, for the total value of 6 million Dollars. This contract is part of a development programme of agricultural areas of Peru. The electrification plan of decentralized districts eliminates the extremely expensive cost of bringing the electricity in through the conventional network.

Days of rapid growth over

JAMES BUXTON

The industry's total turnover was only L740bn in 1977. In 1982 it had reached L2,900bn, an impressive increase even allowing for high Italian inflation rates. Sales growth in 1982 alone was 31 per cent. Exports

State-owned

Closely connected to the air-

State shareholdings in 1980 he succeeded at least in establishing clearer guidelines between the two main groups in the industry in an attempt to avoid duplication; but his most recent proposal to bring the whole airframe industry under the con-

An Alitalia jet undergoing maintenance. The state airline has strong doubts about the European Airbus A320 project, and Italian manufacturers are hesitating over possible participation despite strong French pressure

In keeping with its role as a large airframe maker Aeritalia

air force — total orders now amount to 266.

But in practice Siai Marchetti's Canguru has a direct competitor in Partenavia's stable, and is also planning a 20-seat commuter airliner which would compete with the Partenavia P78, a 15-18 seat machine already under development. The very existence of the S211 in the jet trainer market offends Aermacchi, which considered it its own preserve.

The two Italian aero-engine companies, Fiat Aviazione and Alfa Romeo Avio, are not

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produces under licence a range of U.S. Bell helicopters, some Sikorsky models, and the Boeing Chinook CH-47. But it has also developed several of its projects, including the twin-engine Hirundo, which is destined for

difficult. Last year was a difficult one for helicopter sales, and the disastrous state of the airliner market and the weakness of the commuter aircraft market are alarming. Developing countries are in a bad way

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ITALIAN ENGINEERING VIII



Fiat's bestseller, the Uno, and the Datsun Cherry Europe, the product of collaboration between Italy's Alfa Romeo group and Japan's Nissan



Home market grows but exports remain modest

ITALY CONSOLIDATED its position last year as Europe's second largest producer of diesel engines after West Germany.

Total production jumped 14 per cent to 624,000 units, almost entirely because of a big increase in the use of diesel engines in new cars and trucks.

The number of diesels going into cars was up 54 per cent to 198,000 and the truck market for diesels was up 15 per cent to 81,000 units.

The largest single end market for diesels, agricultural tractors, was off 2 per cent to 220,000 units and most other traditional markets, such as generating sets, construction equipment and industrial equipment also weakened.

In the current year, the car and commercial vehicle markets are expected to continue to grow while other application areas have been weaker, notably because of very soft markets in Italy for agricultural and construction equipment.

However, Planning Research & Systems, the London consulting group, are forecasting an 8 per cent increase in total output to 674,000 units.

Italy is fortunate in having strong competitors in all the main sectors of the diesel engine industry.

The Fiat group leads the industry with over 50 per cent of total sales. Its diesel engine manufacturing operations are divided between those carried out by Fiat Auto for cars and light trucks, and those by Iveco for big commercial vehicles, and most other application areas.

Active

The other main Italian competitors in the broad centre of the market are Same, the tractor manufacturer, and VM, Stabilimenti Meccanici, which is the product of the 1979 absorption of Motot, a private company, by the Stabilimenti Meccanici subsidiary of the state owned Finmeccanica group.

Same is one of three European manufacturers of air-cooled diesel engines in the 30-170 hp range, the others being Deutz of West Germany and MTM of Spain. Almost all its output of 26,000 engines per year goes to its own tractors, but the group is becoming increasingly active on the loose engine markets.

Italy also has three manufacturers of very small, air-cooled diesel engines, including Lombardini, the world leader in this category with production last year of 140,000 engines.

The other two are Ruggerini Motori and Siam. All three are family owned companies and all three are located in the Reggio Emilia area.

Italian manufacturers have a very strong position in the home market. Imports last year accounted for only 11 per cent of consumption. On the other hand, direct exports are still

presence in foreign markets.

Typically, about a quarter of Iveco's engines go to Fiat, the Fiat subsidiary that makes agricultural equipment. Another 3 to 4 per cent go to Fiat-Allis, the construction equipment manufacturer, and other Fiat subsidiaries.

The rest go to outside customers, including agricultural and construction equipment makers, coach builders, generating set assemblers, industrial equipment manufacturers and small to medium-size boat builders.

Last year, Iveco made roughly 280,000 engines at its five factories. This represents about 30 per cent of the group's two-shift capacity. Its engines range from 2.5 litre models for light vans to 12-cylinder, 17 litre units for railway engines.

(Fiat Auto, the Fiat car division, manufactures diesels derived from petrol engines up to 2 litres.)

It is not clear to what extent Fiat subsidiaries are obliged to buy Iveco engines rather than those of competitors. Iveco has taken over from Caterpillar Tractor the supply of diesels to Heston, the U.S. bus manufacturer acquired recently. But Magirus trucks still run with Deutz engines a year and a half after Fiat bought out Knauber. Humboldt, Deutz's minority interest in the truck maker, also, some Fiat-Allis machines use Cummins engines, although these are in bigger sizes than those made by Iveco.

Mr Mario Locatelli, manager of Iveco's diesel division, says the group will sell Magirus trucks with Deutz engines "as long as the market wants it". Mr Locatelli says Iveco's goal is nothing less than to become, like Perkins Engines of Britain, an independent manufacturer known throughout the world for high quality engines with strong service support.

It is also looking carefully for opportunities to take over the supplying of engines to other commercial vehicles manufacturers.

"In order to survive in this business, you have to be able to invest \$100m a year in new plant and engines. If you are a truck manufacturer making only 10,000 engines a year, you won't be able to do that," he says.

"Sooner or later, someone will force the pace in engine innovation, and the others will have to follow or withdraw."

One recent international deal with Industrial Development and Procurement of Detroit means Iveco will supply IDP with some 20,000 engines a year, starting next year.

At last, the outlook improves

MOTORS

RUPERT CORNWELL

THINGS at last are looking up for the Italian motor industry. The improvement is not conclusive, and could yet be nullified if the hoped-for worldwide pick-up in car demand does not materialise. But senior officials at both Fiat and Alfa Romeo, the two leading Italian manufacturers, are convinced that the industry is in a stronger position than for many years.

The trend is evident in most of the traditional yardsticks used to measure the sector's health — market shares, financial performance, new models and productivity. In terms of absolute sales the picture is less encouraging but that will only be put right when both the Italian domestic market and those in other major Western countries recover. And if there are fragile signs of a recovery elsewhere, demand for new cars at home is weak. Deliveries in the first six months of 1983 were 8 per cent down at 89,756 units, compared with the same period of last year.

As usual, the running is being made by Fiat, which alone accounts for some four-fifths of total Italian car output. The Turin-based group's car division, Fiat Auto, is currently in the middle of a £5,400m (\$3.6bn) programme of investments in new models between 1980 and 1985. Earlier this year the spending yielded its most important fruit so far, with the launch of the Uno, the small car which Fiat is banking upon to be the 1980s what the hugely successful, but now rather

ancient, 127 was to the 1970s.

The first results since January's debut have been distinctly promising. The new car is already the top seller within Italy, and Fiat is hoping for further benefits as the Uno is introduced in other major European markets throughout 1983.

There are other noticeable results of the capital spending too. Both the Panda utility model, and in particular the middle-of-the-market Ritmo range, have been given significant facelifts while this autumn the successor to the 131 model is due to make its first appearance. Provisionally named the Regata, the 131 will be a traditional three-volume saloon.

Commitment

Further in the future is the "Tipo 4" model which will replace the present top of the range offering of Fiat, the Argenta. The sprucing up of the model range will be underpinned by a heavy commitment of resources to robotisation, in the aim of improving product quality and reliability.

The efforts made by Fiat have thus far been only partly reflected in its financial performance. Consolidated profits for 1982 are expected to be above the 1981bn achieved for 1981, but the group is still suffering from the costly implications of its disengagement from traditional, but loss-making, operations in Latin America, notably Argentina.

In Europe Fiat Auto achieved a profit last year of £260bn, but this was more than offset by £340bn of losses incurred elsewhere in the world, above all in South America. Even so, a massive improvement in productivity—claimed at 40 per cent since the low point of 1979—is enabling Fiat to free re-

sources for investment and improved marketing.

A consequence has been a sharp improvement in the group's share of its all-important home market. In the first six months of 1983 Fiat itself claimed 45.8 per cent of total sales, against 44.9 per cent in 1982. The advance was more striking at group level: 54.5 per cent, compared with 51.4 per cent for last year as a whole. In April 1983 alone, the Fiat group's share of the Italian market reached 57 per cent, a proportion not matched since the halcyon days of the early 1970s.

One reason has been the success of the Uno but an equally important factor has been the strong performance of Lancia, the upmarket subsidiary of Fiat, acquired for a token \$100,000 in 1989. A third of the 1980-85 spending is earmarked for Lancia, and the new Prisma model, launched a few months ago, has proved something of a winner.

Lancia, together with its stablemate Autobianchi, has now outstripped Alfa Romeo to take second place among Italian manufacturers, with 8.7 per cent of total domestic sales in the first six months of 1983. Production at the company's main plant of Chivasso, close to Turin, is now running at full capacity.

Alfa Romeo, however, is not dismayed by what it trusts will be only a temporary demotion. One reason for the company's relative cheerfulness was the decline in losses reported for last year—to £80bn from almost £160bn in 1981—and the considerable improvement in productivity achieved after agreements last year both at its Iseze factory, close to Milan, and the once notorious Pomigliano d'Arco plant, near

NEW VEHICLE REGISTRATIONS IN ITALY

	1st-half 1983	%	1st-half 1982	%
Total	899,756	100	981,936	100
Italian manufacturers	561,729	62.4	579,091	58.9
of which:				
Fiat	418,753	46.5	433,259	44.1
Alfa Romeo	55,881	6.2	65,435	6.7
Lancia/Autobianchi	74,737	8.3	69,545	7.1
Others	12,358	1.4	10,852	1.0
Imports	338,027	37.6	402,845	41.1

Naples. Another, however, is the small revolution about to overtake Alfa's own model range. The first novelty is the new Alfa 33, designed to slot in between the trusty Alfa Sad and the Giulietta, which received its European launch in May.

Controversial

Hard on its heels will follow the new car born of the company's controversial link with Japan's Nissan, 80 per cent Italian and 20 per cent Japanese by parts.

The model, the Arna, has been the object of a £60bn (\$40bn) investment programme, and will be marketed through whichever of the two "parent" networks happens to be stronger in a particular country.

Further ahead lies the replacement to the Alfetta. If these various developments achieve the success which Alfa's management is expected, then hopes that the company's losses will be halved in 1983, and disappear in 1984, could prove to be justified.

An additional ground for optimism is the agreement reached in November 1982 between Fiat and Alfa for collaboration in the components sector, putting an end to many years of wasteful jealousy and overlapping

duplication between the two. The first common components will feature in Fiat's Tipo 4, and in new models due from both Lancia and Alfa within two or three years.

But the increasing emphasis on co-operation to achieve economies of scale has extended to alliances going beyond frontiers. Fiat and Peugeot are working together on a new family of small to medium engines, to be produced at separate plants in France and Italy, while other significant ventures involve Fiat itself, Lancia and Iveco, Fiat's heavy vehicle subsidiary.

Last but not least, Fiat and Alfa should become the first beneficiaries of official subsidies, worth in all £800bn (\$600m), long promised under a £1,500bn fund established to help high technology companies with research and innovation.

Bureaucratic problems have held up implementation of the scheme and many even now suspect that political motives, ahead of the June 1983 elections, were behind the decision. Whatever the truth, the disbursement is concrete proof that the Governments putting its weight behind the more promising parts of Italian industry, something which can only be to the latter's advantage.

A NEW DANIELI MARKET MILL
POINT LISAS - TRINIDAD and TOBAGO

On May 29 we started up successfully the market mill designed and built for Central Trinidad Steel Ltd. The mill, which is very well located in respect of Central and South America markets, has been supplied under the terms of a contract entered into on January 15, 1981; its main feature is the remarkable degree of flexibility when the rolling schedule is changed. This further notable achievement proves that the Italian industry, with its constant commitment to technical ability & capability of adjusting itself to different working & environmental conditions can attain high level results all over the world.

Danieli & C.
33042 Saffio (Udine)
tel. 0432/2981 - telex 450022

MAIN TECHNICAL DATA

Production capacity:	180,000 tpy
Feedstock size:	130x130 mm
Product range:	squares 9 to 16 mm rounds 15 to 23 mm channels 75 to 100 mm angles 25 to 75 mm flats 25x6 to 50x10 mm
Value of contract:	Lt. 17,000,000,000

MAIN DANIELI PLANTS IN THE WORLD

ITALIA	UK
BENELUX	KENIA
GDR	LIBIA
FRANCIA	SUD AFRICA
GERMANIA FEDERALE	BIRMANIA
PORTOGALLO	MALESIA
SPAGNA	TAIWANDIA
SVIZZERA	COLOMBIA
SCANDINAVIA	MESSICO
JUGOSLAVIA	VENEZUELA
URSS	CANADA
ARABIA SAUDITA	USA
GIORDANIA	

DANIELI

FRIULI IN THE WORLD

